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BUSINESS WEEK

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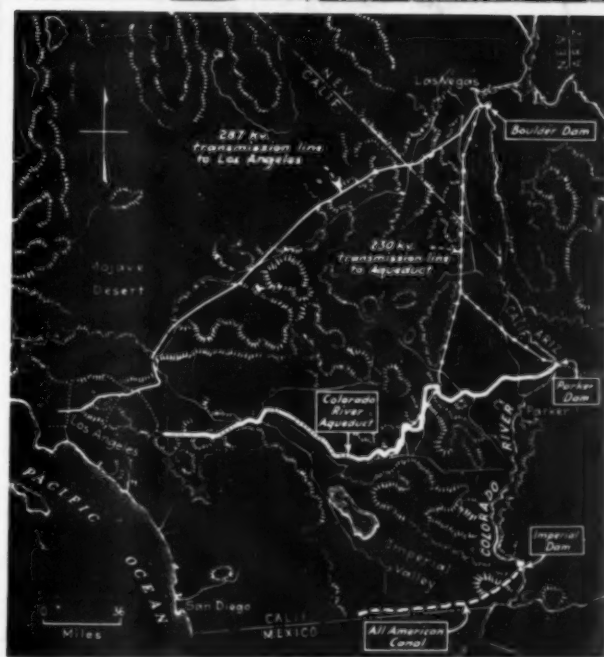
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Week
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Year
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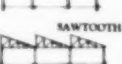
LACKED STAINLESS STEEL









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TRUSCON STEEL COMPANY

YOUNGSTOWN, OHIO

Washington Bulletin

WASHINGTON (Business Week Bureau)—More dividends, more replacements, more advertising, maybe even more wages will result from Roosevelt tax program, almost certain of enactment despite mounting attack on government spending which makes new taxes necessary. Roosevelt, always opposed to "piled-up surpluses," is delighted at driving wedge between corporation managers and stockholders. Thinks he has escaped horns of dilemma, but Democrats join Republicans in demanding curb on appropriations.

Just to Keep Even

Treasury estimates approved by Roosevelt do not, as predicted, aim at balancing budget. They aim only at regaining loss of AAA taxes plus meeting new bonus cost. Treasury wanted much more. Still hopes to pull a Mellon stunt on Congress, obtain rates which will produce more than Congress expects.

All Balanced, Except—

Meanwhile new relief appropriations, to be asked shortly, will give rough estimate of additional amount Treasury will go in debt in next fiscal year. Old double-budget system, which Lew Douglas denounced and Roosevelt denied existed, balances budget except for "emergency" appropriations.

Bigger Booms and Slumps

Big business regards forced distribution of surplus earnings as heading toward bigger depressions and better booms. Bigger dividends and more spending mean better times while they last. Smaller surpluses spell sharper drops, with no cushions, when they end.

Just Guessing on Relief

It's anybody's guess what relief figures will be. President promises message by Mar. 19, at latest. Most estimates range around one billion. President pointed out in budget that anything less than two billion would save that much on budget picture. But estimates will be guesses, even after appropriations are made. Hopkins will spend what he figures is necessary.

Play for Independents

"Independents' Day" march on Washington turned out trickle of nearby retailers, diluted with wholesalers' salesmen and just bystanders. Chain store enemies cannot point with pride to aroused populace, but Senator Robinson, to surprise of his

MUCH ADO ABOUT WHAT?

George Berry's hand-picked group of business leaders will meet again Mar. 12 to consider committee reports recommending course of future business-government cooperation. Tremendous secrecy surrounds activity. May presage sensations—or just so much eyewash.

colleagues, assures "marchers" Robinson-Patman bill aimed at big discounts to big buyers will pass in few weeks. Robinson is stalling; he could have brought bill up already, but is waiting for House compromise.

Quantity Discount Case

Probably FTC grabbed a tiger's tail in ordering Goodyear to cease and desist selling tires to Sears, Roebuck for private brand use. All business would feel earthquake if quantity discounts—crux of this case—was scrapped. President Litchfield of Goodyear says, "We will appeal." Business strongly doubts whether decision can stand in court.

Wanted: A Farmer

Problem of finding a farmer for Federal Reserve Board is causing President some concern. With such long terms, there is always danger Reserve Board might become very independent indeed. Might even develop reactionary ideas.

Sweet Prospects

Sugar Institute, whose case has important bearing on Steel Institute and similar industrial groups, will be sustained by court, according to Supreme Court dopesters. Which flies in face of theory Sugar Institute violates anti-trust laws.

Electric Kitty Cut

Reduction of Norris bill for spending 100 million a year on rural electrification for nine years, down to 50 million for first two years and 40 million thereafter, leaves amount still somewhat over what most experts believe government will be able to "invest." REA officials privately admit they aimed high, expecting cut,

though they were afraid of Congress. Did not anticipate President would do cutting. However, Sen. Norris and Administrator Cooke are both happy.

Proving the Rule

REA will still avoid loans for generating power, despite exceptions in latest batch of project announcements. Small Texas company obtains funds for distribution system and diesel generator, but only because no other source of power was available.

Paring RFC Loans

Announcement that Rural Electric loans are to be made, at least for first two years, by Reconstruction Finance Corp. and later out of current Treasury funds means RFC loaning to all industry is going to be pared down while, as contribution to better budget picture to be flashed before country sometime before election. What is to happen after two years is not important—now.

And Taxed?

Final result of Rep. O'Connor's lobby probe: whitewash for congressmen; mild rebuke for utilities; recommendation lobbyists should register. License plates front and rear?

President Blisters Hearst

The Hagood incident continues to burn. President shows more temper at mention of "gag" orders than at any time since inauguration. Blisters Hearst press, which is interesting chiefly as evidence that breach between Hearst and Roosevelt will probably remain unhealed until election day, whether Hearst has his way on Republican nomination or not.

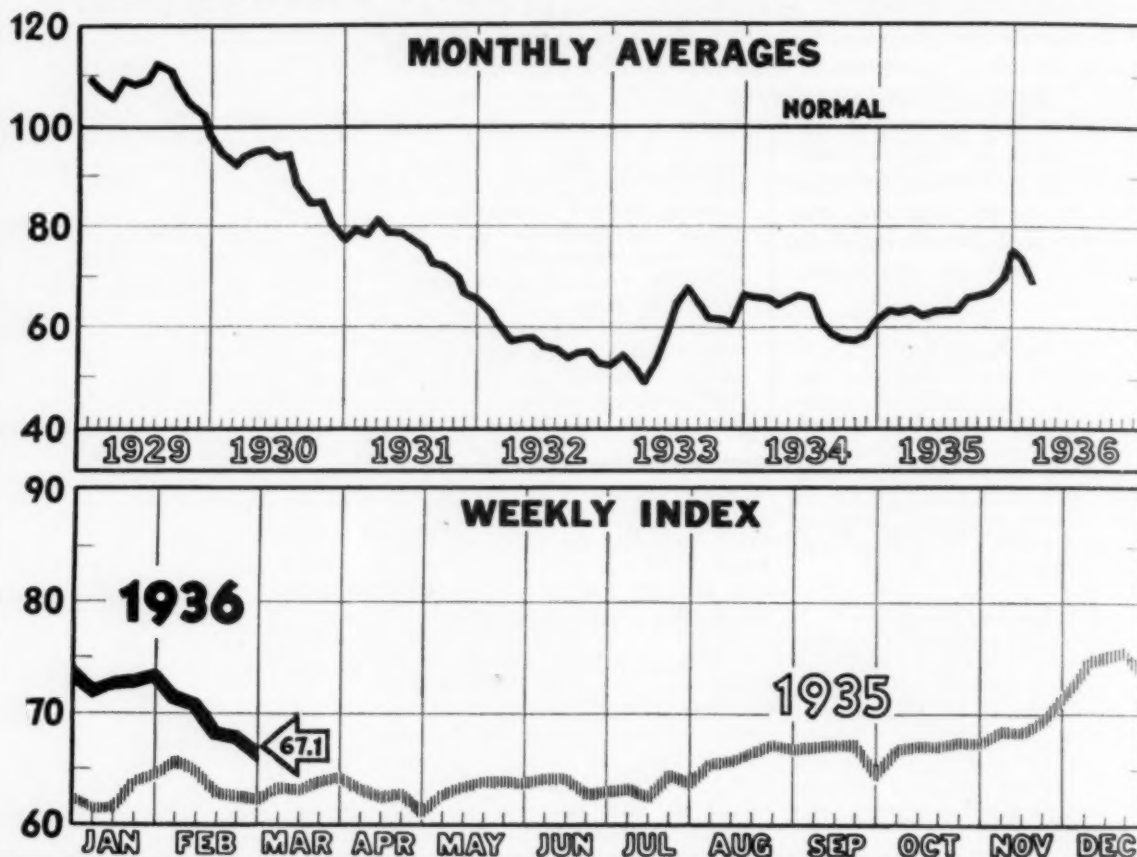
Ditching the Ditch

Prospects for canal connecting Pittsburgh district with Lake Erie (BW—Feb 15 '36, p. 16) look dim as Army engineers react unfavorably on report of local examiners. Advocates will have chance to talk, however, at Mar. 30 hearings.

Break for California

Senators have more nerve than representatives. House did not dare appropriate for unauthorized reclamation projects. Senate did, by amending bill, which it sends to conference. No indignation is expected from House, which will accept authorization of California's Central Valley, Casper-Alcova projects, etc., though it usually insists on its constitutional power to initiate appropriations. Incidentally Senate cut amounts to be spent next year from 18 to 16 million on Central Valley, and from 4½ to 4 millions on Casper-Alcova.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



BUSINESS WEEK INDEX

Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
*67.1	168.5	71.4	62.3	62.5

PRODUCTION

* Steel Ingot Operation (% of capacity)	53.5	52.9	50.0	48.2	38.8
* Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)	\$6,619	\$7,285	\$8,388	\$3,184	\$4,857
* Bituminous Coal (daily average, 1,000 tons)	*1,640	*1,746	1,378	1,412	1,251
* Electric Power (million kw.-hr.)	1,903	1,942	1,963	1,734	1,592

TRADE

Total Carloadings (daily average, 1,000 cars)	105	105	97	99	100
* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	59	60	59	63	63
* Check payments (outside N. Y. City, millions)	\$3,532	\$4,114	\$3,584	\$3,179	\$3,172
* Money in Circulation (daily average, millions)	\$5,806	\$5,786	\$5,713	\$5,465	\$5,356

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.13	\$1.11	\$1.11	\$1.01	\$0.70
Cotton (middling, New York, lb.)	11.27¢	11.35¢	11.64¢	12.56¢	9.86¢
Iron and Steel (Steel composite, ton)	\$33.59	\$33.54	\$33.40	\$32.42	\$30.50
Copper (electrolytic, Connecticut Valley basis, lb.)	9.250¢	9.250¢	9.250¢	9.000¢	7.654¢
All Commodities (Fisher's Index, 1926 = 100)	83.3	83.8	84.0	82.0	70.2

FINANCE

Total Federal Reserve Credit Outstanding (daily average, millions)	\$2,479	\$2,498	\$2,484	\$2,455	\$2,008
Total Loans and Investments, Fed. Res. rep't'g member banks (millions)	\$21,006	\$21,100	\$20,995	\$19,581	\$19,715
* Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,842	\$4,847	\$4,871	\$4,956	\$6,185
Security Loans, Federal Reserve reporting member banks (millions)	\$3,117	\$3,144	\$3,128	\$3,105	\$4,754
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,069	\$1,087	\$1,064	\$912	\$1,007
Stock Prices (average 100 stocks, Herald-Tribune)	\$118.57	\$118.09	\$116.17	\$96.26	\$102.66
Bond Prices (Dow, Jones, average 40 bonds)	\$102.77	\$102.92	\$101.38	\$96.48	\$88.06
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1%	1.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1%	1%	2.0%
Business Failures (Dun and Bradstreet, number)	188	210	220	224	466

* Factor in Business Week Index *Preliminary † Revised

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Business Week

The Business Outlook

THE President's proposal to revise corporation income tax procedure virtually overshadowed this week's emergence of trade from the grip of freezing temperatures. The stock markets leaped to the conclusion that dividend distribution would be more liberal. Construction interests speculated concerning the possible effect on expansion programs. Meanwhile *Business Week* calculates that even the 1935 tax rates, based on the business volume of a year as prosperous as 1929, would yield an enormous income, obliterating all fear of inflationary expedients to solve the budget problem.

Big Clothes-Buying Season

Milder weather over practically all parts of the country except the circle of Northern states near the Great Lakes is loosening up sales and construction activity. With Easter coming early in April, the next six weeks should see the best buying spurt in spring apparel since 1931.

Expect Bunched Orders

The reluctance of buyers to place orders immediately after the settlement of the threatened dress strike is annoying to manufacturers, who are confident that the delay only means that orders will be bunched just before the Easter season.

Making More Cars

Motor manufacturers are going ahead with spring business, in the belief that the worst winter in decades is about spent. Fisher Body at Cleveland stepped up its operations to five days a week to take care of Chevrolet necessities. Plymouth is set to return to the five-day schedule this week, and it is understood that Ford will follow suit next week. Motor production, which dipped to 380,554 cars in January, as was foreseen, and shrank further in February, is now expected to climb to the 400,000 level in March, and even higher in April.

Sales Picked Up

Comprehensive returns on motor sales last month are still lacking, but scattered reports indicate a sharp pickup in both used and new-car distribution in the last 10 days of February, when weather conditions moderated. New passenger-car sales for the month as a whole probably stayed close to last year's 170,000.

Like Spring of 1930

With continued improvement in driving weather, March and April sales will top those of last year and compare favorably with the spring of 1930. Truck producers are counting on making an all-time record in sales

SELLING APPLIANCES

After setting records in many lines in 1935, the household appliance industry is out to make the most of the 1936 market. Washing-machine manufacturers started the year with a 33% margin over last. Frigidaire is backing its 1936 line of refrigerators with the heaviest advertising campaign in its history. Kelvinator reports that its February factory shipments of household refrigerators were double those of a year ago.

this year, selling over 550,000 units in the United States alone.

Heavy Industries Busy

Steel operations in the first week of March are estimated at 53.5% of capacity and destined to go considerably higher now that the motor industry is ready to expand production. Railroad business continues to pile up. Agricultural equipment, road machinery, machine-tool, refrigerator, and tin-plate makers are stepping up activity as spring gets under way.

Buying Office Equipment

Office-equipment makers report sales more than 25% ahead of last year in the first two months of 1936, indicating that the replacement field is still a substantial one.

Ingot Capacity Reduced

Steel ingot capacity was lower at the end of 1935 by 256,812 tons, chiefly through abandonment of a number of Bessemer converters. This offset the increases that were made in the capacity for producing steel by open-hearth and electric methods. The annual capacity as of Dec. 31, 1935, on which the 1936 operating rates will be calculated, stood at 69,789,554 tons. The \$200,000,000 expenditure contemplated for 1936 will be for modernization and for enlarging the finishing capacity, rather than for expanding ingot capacity.

Change in Steel Prices?

Ways of ending difficulties in maintaining quoted steel prices have been

given serious attention by steel executives this week. Announcements of second-quarter prices are expected momentarily, either reaffirming first-quarter prices with quantity differentials, or establishing some system of list and discount.

About That Rate Reduction

The Eastern railroads which have fought the passenger-rate reduction proposals were dismayed when the Interstate Commerce Commission approved the 2¢ a mile rate, to replace the basic 3.6¢ rate. Passenger traffic on Eastern roads declined in 1935 by less than 1% compared with 1934, declined by nearly 7% on Southern roads, where the lowest rates have been in effect, and increased less than 3% on Western roads. In the same year, intercity buses increased their traffic substantially, carrying 651,999,000 passengers, while Class I railroads carried 446,030,000.

Construction Keeps Going

The latest figures on residential construction, which cover the third week of February, indicate that cold weather was no handicap to the enthusiastic home-builder. Contracts were let at a higher rate than in the first half of the month. The same held true for non-residential and public works. So things look good for the construction industry.

Need More Plant

Some plants whose early estimates of additional plant-capacity requirements were too cautious have found themselves compelled to increase their facilities. After seven years of mounting sales, the American Brakeblok Corp. finished the first of a series of manufacturing additions in January, 1935, the second in August, and the third in February, 1936.

Silk Buyers Dickier

The upward flare in silk prices last year has had the expected results in silk consumption. January fell to the lowest for the month in 12 years, and February mill consumption of raw silk was even worse. Prices have declined substantially since the peak, and hence some improvement in consumption is expected this month, but buyers are angling for even lower prices.

Big February Dividends

Last month's dividend declarations topped those of January, making the best February since 1932. Some 54 companies voted extra dividends, against 41 a year ago; 57 increased dividends, against 22 last year. Anaconda declared its first dividend since 1931; Montgomery Ward its first dividend on common since 1930.

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MARCH 7, 1936

Taxing Safety

President's proposal to remove cushion that business keeps for hard times may be tempered by Congress.

WASHINGTON (*Business Week Bureau*)—President Roosevelt's proposal to tax undistributed corporation earnings is designed to drive a wedge between the management of many corporations and a considerable fraction of their stockholders. That's the political side of it. He believes he is appealing to a majority of stockholding voters, who think they are entitled to a bigger share of their corporations' earnings.

The probability is that, in the main, these new tax proposals will be enacted. There will be changes, some of which the President may not like, but his chief objective—to force distribution of corporation earnings in dividends, or wages, or both—will become law. Thus he hits at those "piled-up surpluses" that he denounced in his acceptance speech at Chicago in 1932.

Deductions for Bad Years

One possible change which might be sweeping would permit deductions of bad-year losses from good-year profits before computing net earnings. This revision would follow the underlying idea of the capital gains and losses section of the income tax law prior to its recent amendment. For example, money borrowed to tide over 1932, and repaid in 1937, might be deducted from 1937 earnings before computing 1937 net income.

This suggestion epitomizes Capitol Hill's chief objection to his proposal to supertax undistributed earnings—fear that forcing such distribution would cripple corporations when bad years come by removing the kind of cushion which has been so valuable to many corporations in the hard years since 1929, as, for example, to American Telephone & Telegraph Co.

On the radio last Sunday night, Henry Ford's spokesman, William J. Cameron, pointed out that such spending of "piled-up surpluses" by corporations during the depression far exceeded the total expended in relief projects by the government. His comparison was \$27,000,000,000 for corporation surplus distribution against \$5,500,000,000 for the government.

The complications involved in the President's proposal to revamp the entire corporation tax structure, with repeal of the present corporation income tax (15% of net earnings on large

companies), the capital stock tax, and the present excess profits tax, mean long-drawn-out and careful, if not prayerful, consideration on Capitol Hill. This probably ends any hope of early adjournment, never very certain.

His recommendations for excise taxes, closely resembling the processing levies but smaller and spread over more commodities, had long been forecast and are expected to meet little real opposition. But they may take a lot of time, as conflicting interests will vie with each other to get the best of the bargain; for instance, on rates to be imposed on such competing commodities as cotton and rayon.

Little attention is being paid to the "windfall" tax to capture unpaid or impounded processing levies; many congressional supporters privately believe that it would be unconstitutional. But it does not bulk large in the revenue scheme anyway, and would of course be temporary.

Meanwhile, the President is highly pleased at his "solution" of the tax problem. He thinks he has spiked the guns of critics attacking government spend-

ing and talking of "grinding taxation around the corner." He likes the social and economic "reform" phase of his plan almost as much as he likes the revenue prospect. And he believes he has angered only a very small percentage indeed of the electorate.

Practical business men up on Capitol Hill doubt that the new corporation tax will produce as much revenue as expected. They think it will operate just as the wartime excess profits tax did—that corporations will be eager to replace old equipment, get their plants in top-hole shape, and build up goodwill by advertising rather than pay the money to Uncle Sam.

Business Reactions

New tax scheme may check spending now, might encourage more later would change market rules.

BUSINESS and banking interests foresee startling consequences if the President gets through Congress his proposal to force corporations to pay out all income as dividends. Washington advises that Congress may write in vital tempering provisions helped somewhat to relieve their apprehensions.

Chief concern was expressed over the temporary repercussion on capital goods lines which are providing the steam for



BONUS BONDS START ROLLING—Welcome sight to the veterans who went to the Bureau of Engraving and Printing to see the presses start, but bad news to the taxpayers who have to foot the bill, was the start of actual production on the huge issue of bonus bonds. Veterans will begin to cash them in June.

No Revenue Worry

The real solution of the Treasury's difficulties, of course, is not higher tax rates but a return of prosperity. Rates now in effect would then produce a record-breaking revenue, paying all expenses and leaving a big surplus. For a full analysis, see page 38.

business recovery. It was feared that corporation treasurers would clamp down on all extraordinary expenditures for the time being, conserving cash reserves on the presumption that they could no longer look to future earnings for replenishment of cash accounts.

At the same time, it was pointed out that urgent business needs lie behind most pending capital improvement and modernization programs, and that the capital market stands ready to provide any amount of money for present or remote needs.

Possibility of Boom

Also considered was the possibility of a plant-building boom if the internal revenue bureau continued a liberal policy toward depreciation allowances, thereby encouraging spending to curtail tax liability.

From the broader economic aspect, attention was centered upon the inevitable tendency of the new scheme to make cyclical business swings wider and more violent. If corporations were denied the privilege of building a backlog of earnings in good times they could not carry dividends or make capital investments in bad ones. Hence the dips and peaks would be sharper.

As a bullish point, expenditures chargeable to expense, such as those for experimentation, sales promotion, and advertising, would be encouraged should such a bill go through. Also more business should be provided for stock brokers and investment bankers.

More New Financing

For the investment bankers there would be greater new financing because corporations would be dependent upon the market for capital not voluntarily contributed by stockholders. Many new issues offered stockholders on subscription rights would require underwriting.

For the stock broker there are all kinds of prospects in the proposal to stimulate trading volumes. There would be "rights" in connection with new stock offerings. Some talk arose over the possibility of a new style assessable stock to give a corporation another means of raising capital in an emergency.

Wall Street thinks it could anticipate a period of frenzied speculation around the year-end when dividend "melons" were voted to pass out earnings not distributed in installments through the year. It even discussed annual payments

in lieu of the present quarterly dividends.

It was generally supposed that under such a new law as the President urges disbursements would be conservative for the first three quarters and any excess lumped for the final period. Market operators built on this theory a scheme of buying stock for the "dividend season," say November to February, and holding bonds for a more generous income the rest of the year.

Walsh Bill Revised

House gets new measure to establish NRA provisions in contracts with government.

THE provisions of the Walsh bill, which would impose NRA restrictions on contracts with the federal government, have been simplified through a redraft introduced into the House by Arthur D. Healey, Massachusetts Democrat.

The most important change is the omission of the cumbersome Walsh provision that would have bound borrowers of government money to uphold the labor standards set. Even this is not a complete surrender, federal lending agencies can impose labor regulations.

The new bill would prevent circumvention of its provisions through bids by brokers, a device that gets orders into sweatshops. Labor conditions would apply to subcontractors and suppliers. All contracts in excess of \$2,000 would carry agreements barring child and prison labor, and would bind the holder to hour and wage schedules.

The penalty provisions of the Walsh bill are retained, and the new bill would be permanent.

Open hearings on the Healey bill will be held this month. It must fight its way through conference with the Senate.

Tangled Time

Chicago business in a mixup as Eastern time goes into effect.

CHICAGO business this week was trying to adjust itself to two time-standards, with indifferent success.

Eastern time went into effect Mar. 1 as the result of an ordinance passed by the city council under pressure from Mayor Kelly and National Committeeman Patrick A. Nash, following a campaign for the change by Col. Robert R. McCormick's *Chicago Tribune*, and despite the intense opposition of Col. (Presidential Candidate) William Franklin Knox and his *Chicago Daily News*, which would have to give its readers an hour's less late-afternoon news while the *Tribune* would gain.

But federal statutes provide that common carriers must operate on standard



A HINT ON TIME—Interstate Commerce Commissioner Clyde B. Aitchison, chairman of the hearing on Chicago's time change, suggested that the move might be unconstitutional, and set opponents of the plan to thinking.

time. Central-time clocks in railroad stations gave Eastern-time commuters headaches before the puzzle was solved. Federal functions, likewise, continued on the basis of central standard time, although clocks were moved ahead.

Business identified with agricultural central-time sections refused to go along.

The Chicago Board of Trade decided to conform after its membership vetoed a compromise new schedule, but found Minneapolis, Kansas City, Winnipeg, and other grain markets refusing to follow suit. Faced with a loss of grain business, the directors invoked an emergency rule, overrode the membership vote, and set opening and closing times one hour later, cancelling the change.

The Chicago Stock and Curb Exchanges, likewise, open and shut later. The Chicago Mercantile Exchange went along the first day, ran into confusion, and then adjusted its trading hours to former central time. Livestock continued to come in on central standard time, forcing operations at the stockyards to remain on the old schedule.

Inter-community trade was on a two-time basis. The adjacent suburbs changed, but most of the nearby small cities in Illinois, Indiana, and Michigan refused.

The Interstate Commerce Commission heard arguments to have Chicago placed in the eastern time zone for carriers. It set Mar. 31 as deadline for filing briefs and Apr. 21 for answers.

Radio station WLS of Chicago, run by the *Prairie Farmer*, took a poll. The votes were 1,216 for and 66,103 against the new time; Chicago and its suburbs voted 568 for and 17,978 against.

Odds on Price-Control Law

Some sort of bill is expected to pass through Congress, but not because of little men's march on Washington.

WASHINGTON — Notwithstanding the march of the little men on Washington this week, chances seem increasingly good for the passage of a Clayton act amendment, intended to restrict quantity discounts, advertising allowances, and diversion of brokerage commissions in order that the buying advantages of chains and independents may be more nearly equalized.

Congress doesn't love a parade any more; that's why observers say a bill may be passed *in spite of* rather than *because of* the demonstration of independents, staged by the National Association of Retail Druggists, United States Wholesale Grocers Association, National Association of Food Brokers, and other kindred outfits.

The big show, presided over by former Gov. J. A. O. Preus of Minnesota, legal adviser of the N.A.R.D., may have made some contribution in helping to fire an already flaming sentiment, but it held little interest for the lawmakers, aside from such speakers as Senators Borah, Tydings, and Robinson and Rep. Patman, who found a good chance for electioneering.

High-Pressure Work Fails

Others were not deeply affected by the high-pressure visits of the boys from back home, ordered by leaders to concentrate on their congressmen.

The course of price legislation from now on is passable but not smooth. Here's how the situation sums up:

The Senate Judiciary Committee has reported out the Patman-Robinson bill, and pressure brought to bear by chain stores, manufacturers, and consumers has failed to force a recommitment. However, the opposition sentiment has

made the Senate realize that it may have rushed too hastily into a broad field where the House is afraid to tread. The more inclusive Borah and Van Nuys bills seem definitely shelved.

On the House side, Rep. Utterback's subcommittee will shortly report the results of hearings and deliberations. When a bill is filed with the full Judiciary Committee, it won't tarry long there, and definite House action should follow in fairly reasonable time. Action, it is believed, will be thus expedited, because the Utterback committee bill will be a compromise measure, more nearly resembling Rep. Utterback's original proposal than the Patman bill. Such a measure is not likely to arouse any considerable opposition from those increasingly resigned to some legislation.

What the Bill Will Be

Ultimately, the bill will be shorn of the Patman provision permitting the Federal Trade Commission to fix top limits on quantity discounts where it can be shown that the discounts are discriminatory because they are only available to a few who can buy in tremendous quantities. Further, it probably will not contain a provision flatly requiring that manufacturers extend advertising allowances to all buyers on proportionally equal terms.

In tackling the critical question of quantity discounts, the bill may borrow some ideas from Charles Wesley Dunn, counsel for the Associated Grocery Manufacturers of America, whose proposed measure Sen. Copeland introduced "by request" a fortnight ago.

Mr. Dunn would have the act O.K. those quantity discounts "supported by a difference in his [the manufacturer's]

cost and/or expense of doing business" and would provide that no price differential shall be permitted "which is beyond the reach of small buyers and which may be effective to prevent or suppress their competition simply because they are small buyers and regardless of their merchandising efficiency." This would be much less drastic than independents ask.

The House bill may also bow in the direction of Sen. Wheeler and his anti-basing-point proposal by incorporating Rep. Utterback's original provision that only the *actual* cost of freight or other transportation shall be deducted in determining what is price.

If, while House action is pending, the Senate should pass the Patman-Robinson bill, the House compromise bill would probably win out in conference. Despite the hullabaloo staged in the Senate this week, it is likely that Sen. Robinson will not push action until the House bill is complete, and will then substitute it for his own.

Running for reelection in Arkansas this year, he has to play his cards close to his chin. Also, private polls have shown that only about 30 senators favor the Patman-Robinson bill, though a large majority favor some legislation.

Whatever the President said to the delegates who visited him, he is not personally interested in this legislation and it will have to progress under its own steam. Almost certainly, however, he would sign such a compromise measure as is indicated.

Conference Group Proposals

Meanwhile, the Food & Grocery Conference Committee, composed of representatives of the main divisions of the industry, has still further refined its trade practices principles, and is apparently still seeking the adoption of a fair practice conference agreement under the auspices of the Federal Trade Commission.

Its non-technical proposals, released



Wide World

THE PATIENT OBJECTS—One patient who objects vigorously to being operated on by the clinic (Senators Black, Minton, Schwellenbach of the utility lobby inquiry, right) is Silas Strawn, left. Mr. Strawn says that his communications to clients

are confidential, and he got an injunction which stopped Western Union from handing over files of telegrams. Other lawyers and business men waited for further court action this week on the temporary restraining order.

Underwood & Underwood

last week, suggest provisions in Mr. Dunn's bill in more than one respect, particularly in urging that penalties apply on buyers as well as sellers, and in its handling of quantity discounts.

Advertising allowances it would O.K. on a contract basis, and brokerage diversion it would approve at a reasonable rate of remuneration for actual sales services. Loss leaders it would ban when they are offered to induce the purchase of other goods, to deceive customers, or to divert trade.

Price-Fixing Victory

California Supreme Court unexpectedly upholds "fair-trade" act.

LATE Friday afternoon last week—just 24 hours before failure to have acted would have prevented the judges from collecting their pay for February—the California State Supreme Court handed down a decision upholding the state fair-trade act, particularly that critical section which compels dealers to maintain manufacturers' prices, even though no price contracts have been signed.

So Coast retail independents agree that after all there is some balm in Gilead. The invalidation by a lower court earlier in the week of the state's unfair practices act (*BW*—Feb 29 '36, p. 15), which forbids loss-leader selling, was a sorry blow to all retailers—particularly grocers. The Supreme Court's action, upholding the fair trade act, was conversely an unexpected blessing—particularly to druggists.

Five months ago, when Max Factor, cosmetic manufacturer, and his California distributor, Sales Builders, Inc., took their case against a druggist, Clarence G. Kunsman, to the Supreme Court, price-control advocates confidently expected a favorable decision.

But cocky confidence almost expired two months ago when the New York Court of Appeals knocked out Section 2 of the New York act, identical with California's Section 1½ in making contract prices binding on non-signers.

Hence it was accepted as something just short of a miracle last week when the California Supreme Court held that that section was "a proper legislative declaration of the policy of the state on the practice of price-cutting."

Joy, however, may be short-lived, for Mr. Kunsman plans to ask for a rehearing, or to appeal to the United States Supreme Court, which would probably knock out the debated section.

Meanwhile, however, the drug independents think the decision will spur consideration of the Tydings national fair-trade enabling bill, which provides that manufacturers and wholesalers are not violating the Clayton anti-trust act when they enter price contracts with dealers in states having fair-trade laws.

At present, the Clayton act is circumvented by separate incorporation in each state concerned. Sen. Hatch of New Mexico has been named head of a Senate judiciary subcommittee to open hearings on this bill soon.

The fair-trade act in California has been used chiefly by the drug trade, with 300 manufacturers issuing resale contracts and establishing 1,899 individual price quotations.

There has been some effective control in tobacco retailing and, to a lesser extent, in the wine and liquor, radio, and photographic supply trades.

Dr. E. T. Grether, dean of the College of Commerce, University of California, recently analyzed the effect of the price-maintenance moves on retail margins. He shows that the aggregate average of minimum retail margins, expressed as a percentage of minimum selling prices for 1,219 items on a monthly fair-trade list issued for druggists, was 31.02%.



THROUGH THE KODAPAK—To make one illustration do double duty, *Harper's Bazaar* in its February issue borrows an old trick from book illustrators, introduces it for the first time in a national magazine. Illustration is printed in red ink (see above); when transparent red paper is placed over the page, only the thin green lines, scarcely seen in the original, show through (see below). A tipped-in sheet of Eastman's red Kodapak film wrapper served the purpose. *Harper's Bazaar* reports numerous queries, a sold-out edition.

No Bluff

Safeway Stores establish a voluntary, as reprisal and protection against chain tax.

WHEN chain-store leaders suggested that they might invade the independent grocery field if further punitive tax legislation against their business became effective (page 48), the interests promoting such tax measures smiled knowingly, said it was only a bluff.

But Safeway Stores, Far Western chain, is carrying out the threat, as the S. M. Flickinger Co. has done in the East. Operating through the Western States Grocery Co., Safeway is signing up independent retail grocers as members of Food Buyers' Association, Inc.

The members do not sign contracts or buy stock. They pay no fees, dues, or assessments, nor need they buy a fixed amount of goods each month. F.B.A. bills all drop shipments and direct-to-store delivery items to the members, and at the end of each quarter it pays every member a guaranteed bonus of at least 1% on all purchases.

Wholesalers Are Powerful

Stiff competition for F.B.A. is provided by the 2,215 independent wholesalers (including voluntary and cooperative) in California, who do an annual business of \$440,000,000. In Oregon, there are 240 wholesalers; in Washington 486; in Colorado 268.

Safeway's move is viewed by many as a bit of strategy to divide the forces of the independents, since California's chain-store tax law is to be voted on at a referendum, probably next fall. But Safeway's chief motive is obviously to protect itself.

Its program is already causing confusion in the Coast grocery trade. One group among the independents would push the chain tax through at all costs. Another group is beginning to believe that if the chains are driven out of retailing, they may sell their stores to managers or others and set up as wholesalers, probably operating on a low-margin or cash-and-carry basis.

If Chains Are Forced Out

Coast wholesalers appear particularly disturbed, foreseeing intensified competition if antagonistic legislation drives the chains out of retailing.

If a chain operating as a wholesale voluntary concern, for instance, should become dissatisfied with volume from members' stores, it might sell its own brands to all independent grocers. Even the cooperatives and low-margin, cash-and-carry wholesalers might not find the competition so easy to lick.

Manufacturers are also frightened. Heretofore they have had to compete with chain brands in chain stores only. The spread of the F.B.A. plan, and of similar plans by other chains, might extend the competition to independents.



HE HAD A PLAN—Edward F. McGrady (left) arrived in Akron in the middle of the Goodyear strike, and did what many a striker could not do: he walked right in to see P. W. Litchfield. Jack Kidney, Goodyear safety director, went in with him to show him the way, and Mr. McGrady explained his plan for settlement of the prolonged rubber dispute. Mr. Litchfield took it under advisement.

On Labor's Active Front

Building service strike ties several knots in New York City. Goodyear refuses to deal with union. Women's minimum-wage act knocked out by New York court.

NEW YORK CITY and Akron had two things in common this week—a deadlocked strike situation and Edward F. McGrady.

Mr. McGrady, assistant secretary of labor, dashed into Akron to see Pres. P. W. Litchfield of Goodyear and suggest arbitration of the Goodyear strike, dashed away to see about some minor labor wrangles in Cleveland, went back to Akron for another brief visit, and then took a plane for New York.

Generally regarded as the best federal mediator of labor disputes, he had plenty to test his ingenuity in the rubber rebellion at Akron and the elevator eruption in Manhattan. In neither case did he get any quick cooperation from employers or employees; a polite listening attitude was the main concession by the boys who ran the shows.

Both Sides Woo Public

"Unusual" is the best word to apply to the Goodyear strike, which for two weeks went along without violence or talk of "class struggle." Labor held its lines remarkably well in a conservative pattern. Like the management, the Goodyear strikers took their case to the public in full-page advertisements and over the radio, gaining some sympathy through the company refusal to treat with them.

Hopes of early solution faded when Mr. Litchfield, after consenting to talk it over, gave his views in a press conference:

"The company will not sign any agreement with the United Rubber Workers, even if a vote of employees shows that a majority wish to be represented by the union. There are two reasons: first, the law does not require it; the second we won't discuss."

The second reason, Mr. Litchfield said later, was that the company union had an agreement with Goodyear "in the nature of a contract."

Miners' Union Gives Money

Strikers prepared to continue the blockade which has kept the world's largest rubber plant closed tight; got financial support from the United Mine Workers (as predicted in *Business Week* last week), and reiterated their demands for return of the six-hour day and the signing of a new union agreement.

Steered by expert help from the United Mine Workers, the tire builders kept their issues simple and clear-cut, and talked of a general strike by all Akron workers if force were used to dislodge the picket lines.

This left Sheriff Flower strictly in the middle; he had failed to enforce

an injunction against the picketing but he had legal advice from Prosecutor Herman E. Werner that he had performed his duty by serving notice of the injunction. A possibility was that the company itself might decide to take forceful action or might pay for additional help to augment the sheriff's meager staff.

Excitement in Manhattan

In the meantime, the New York building service strike took on a fast-breaking, ever-changing appearance. Mayor LaGuardia arranged conference after conference but repeatedly ran into a deadlocked situation where both sides refused to budge. The union demanded higher wages and a closed shop.

New York City is probably the only city in the country where such a strike could cause actual suffering to a great many residents. It is a vertical city, the area of Manhattan Island being so small that people have had to go up for space. Hence not only business buildings and hotels but an enormous number of apartment houses are equipped with elevators.

At first tenants had to climb stairs and go without heat. Then strikebreakers were hired to resume the interrupted services. Police and health department workers were mobilized to stop violence and assure proper service to the sick.

Green's Other Worries

Pres. Green of the American Federation of Labor had another problem—the matter of just who is to be permitted to unionize the steel industry this spring—that is a little sore spot which John L. Lewis and the industrial unionization bloc are poking away at.

They offered Mr. Green's group a tidy bit of cash (\$500,000) for the steel drive, adding that it must be a vertical setup; Mr. Green turned the matter over to the A. F. of L. council, which won't meet until next May and therefore will be a little tardy in any action it takes.

The A. F. of L. also released some figures this week, showing a drastic slump in employment and a total of more than 12 million jobless. "It is obvious," commented Mr. Green, "that there is something pretty wrong."

Despite the large number of jobless, there has been a gain of some five million jobs since the depths of the depression in 1933. Cold weather and seasonal slacking have brought about much of the present decline.

Union leaders were stirred up this week when the New York Court of Appeals, the highest in the state, decided by a 4-to-3 vote that the state act authorizing the fixing of minimum wages for women violated the federal Constitution. The decision was regarded as an additional stimulus to the movement to amend the Constitution so as to allow Congress to regulate industry.

Meanwhile, the National Labor Re-

lations Board is heartened by the fact that recent court decisions have been mostly in its favor. It received a snub this week when the Jones & Laughlin Steel Corp., like some other companies in recent months, walked out of a board hearing, insisting that the Wagner Act is unconstitutional and that the company business is intrastate in character and therefore no business of the board's.

Federal courts in five cases during the past three weeks, however, have refused injunctions against the board. The most notable was the ruling on the plea of Chrysler, General Motors Truck, and G. M.'s Yellow Truck Coach for temporary injunction in Detroit, where Judge Edward J. Moinet suggested that the board voluntarily stay its proceedings against the companies, pending final adjudication of the Wagner Act by the Supreme Court.

There have been 38 court attacks on the board. Eleven injunctions have been denied, eight granted. The other cases are pending.

Score: 1 to 1

Most of the cases have been decided on the narrow issue of whether the company concerned was engaged in interstate commerce. But in two cases the constitutionality of the act itself has been challenged, and the score is 1 to 1.

Legal attacks have not made any appreciable difference in the increase of company unions. A nation-wide investigation by the National Industrial Conference Board shows that 751 of 2,452 plants have such plans, and that they employ some 60% of the workers covered in the survey.

Chester Points the Way

Big business should adopt conciliatory, informed, and sympathetic attitude toward stockholders, public, and employees, says head of General Foods Corp. and of National Association of Manufacturers.

THE normal American attitude toward business is that large companies and their executives got that way by combining ability with courage.

But six years of abnormality have shaken the national admiration for big business, both in men and in corporations. Catastrophes have provided a "bloody shirt" issue almost as effective as the political war-whoops that followed 1865.

This bloody shirt of big business has been adroitly wigwagged before the public by (a) professional politicians of all parties to build up a vote following, and (b) economists who think the present system 100% wrong.

Personal privations have made people willing to believe the worst about executives of big concerns. The return of confidence is further hampered by those corporations which retain a policy of large profits at any cost.

The threat of distrust is receiving increasing attention from corporation executives and associations. Some call it the "public relations problem." Already the counter-effort has begun.

One company and organization official who has gone into action is C. M. Chester. His activities are doubly significant since he is chairman of the

Business Diplomacy

There are nearly 130,000,000 people in this country, and they determine the policies of government and the fate of business. Consequently one of the supreme jobs of business is to understand and influence the 130,000,000.

In dealing with the public, dealing with stockholders, and dealing with employees, more than one method may be adopted. C. M. Chester advocates the way of sympathy and persuasion.

Other business leaders have been thinking the problem over, and the opinions they express will be of value to the business community.

board of General Foods Corp. and president of the National Association of Manufacturers.

Mr. Chester discussed with a representative of *Business Week* the nature of the situation and what might be done about it. He rejects the ancient tactical argument that the best defense is an attack; he thinks the present public mood doesn't necessarily invite any retort with heavy artillery to the bombastic bombardment. Since reason must win in the end, he suggests logical argument and continuing education.

"The quickest way to restore public confidence in large companies," says Mr. Chester, "would be an immediate restoration of great prosperity. But that is unlikely."

First, Define It

Since slower methods must be employed, Mr. Chester says the first necessity is an engineering approach to establish the realities of the problem. He illustrates possible methods by what his own company has done.

"General Foods Corp.," he says, "recently made a survey which gave us a measure of the public attitude. We sent out 50,000 questionnaires to farmers, business executives and employees, wealthy persons, unemployed, and relief workers. For an accurate cross-section we included both cities and small towns. Mailing lists were supplemented by nearly a thousand personal interviews.

"One question was: Which do you think is best for the country—small businesses? large corporations? medium-sized firms? The vote was 59.4% for medium-sized, 25.1% for small, and 15.5% for large firms. Large companies' treatment of employees was thought



ON THE BRIDGE—C. M. Chester likes ships (his father was an admiral) but his job is ashore. On the bridge of a big industrial corporation he has been giving particular attention to the shoals and rocks on which business may run when it fails to chart out and improve the channels that lead to better public relations.

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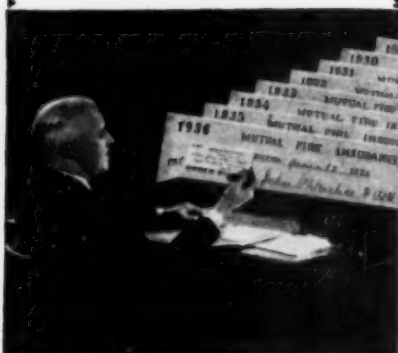


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bad by 16.8%, good by 37.1%, so-so by 46.1%. Large company wages were considered too low by 63.8%, about right by 33.2%, too high by 3%.

"Here were definite figures on the public distrust or misunderstanding. Probably the feeling against large corporations was even more intense two or three years back and is now being lessened daily by general improvement.

"Executives have direct obligations to employees, the public, and stockholders. Trouble with workers arises from wages and treatment. Large companies that have not already done so, would be doing a service to themselves and the public if they made a survey covering every phase of personnel.

Problem of Remoteness

"Many large companies have had the same kind of growth as General Foods; they are a combination by merger or otherwise of units which were once separate corporations. In many cases the management of the subsidiary retained much of its original set-up and employee technique which might be entirely different from other companies in the family. Also the top executives are further removed from personal contact with workers, or sub-executives, a remoteness apt to make for misunderstandings.

"Some years ago a clerk in our employ said he was discouraged because he wasn't 'getting ahead.' He had been with us 15 years. In that time he had worked up from office-boy to clerk and \$35 a week. We wanted to find out what he had done during 15 years to improve his mental equipment and increase his value to the company. The answer was *nothing*.

"At first this seemed to indicate merely that the applicant might not deserve better pay. Then it occurred to us that the reflection might be on the company. The question arose: What has the company done to help develop the man into a more valuable employee?

Lack of Uniformity

"This was one of the things which stimulated General Foods into a thorough going-over of its personnel relations. We found various things in need of correction. Our survey showed that our 20 companies lacked uniformity in personnel administration. One company had more generous vacation rules than others. A second company had a pension plan, others had none.

"Here were cases of inequalities which might make members of one group consider themselves victims of injustices. As a remedy, General Foods is working on a complete program and has added an official to put it into effect. We are developing employee educational and training programs. In 1934 we installed a formal plan for old-age retirement.

"The outcome of all this should be a conviction on the part of employees

that we are promoting their welfare and security.

"If such measures were taken by companies generally—and I am fully aware that many companies have done so—I believe employee-employer relations would be happier. There are about 7,137,000 wage earners now employed by factories. What an opportunity to give millions of workers proof of employers' good will!"

Mr. Chester thinks it important that big companies, through their promotion, mail campaigns, publicity, etc., keep stockholders and the public informed.

General Foods recently ran an advertisement captioned, "As one family to another—the General Foods family of products reports to its real boss, the American family." Consumers were told that products had been improved in convenience and variety, that prices have gone down as quality has gone up. Labor was told that NRA wages had been retained; plans for worker security and continuous employment were cited. Efforts in behalf of retailers and stockholders were mentioned.

Growing Acceptance

The replies of business executives to the General Foods survey indicated a widespread interest in explaining large companies to the public in various forms of promotion.

A further proof that the idea is growing is found in an institutional advertisement run last week by N. W. Ayer & Son, advertising agency. The point it makes out is that big business must deliver its own story direct and tell how it has developed new products, cut prices, raised wages, and generally improved the national standard of living.

Guaranteed Wage

Shoe company's year-round income for workers proves success.

GUARANTEED weekly pay checks have worked out well for the Nunn-Bush Shoe Co. of Milwaukee. The plan has been tested for seven months and proved advantageous. However, there's a new change in it.

Last July the company made a contract with its employees, to give each worker an even year-round income. This was done by paying each week to each employee, whether he was then at work or not, 1/52 of the amount he had earned for the previous average of 48 weeks' work a year.

Under the plan, these guaranteed paychecks were subject to revision, as shoe prices moved up or down. Payroll was to be a definite percentage of the company's gross income. Operating economies, therefore, would boost compensation. Out of earnings or savings beyond those expected, the company sets



"You won't have to worry about money matters"

*H*AVE you and your wife ever planned a budget to take care of all family expenses and occasional "extras"—all out of your regular income—and had the keen satisfaction of seeing your plans work out?

You would not plan a budget unless you had an income. Why not make sure that your family will have an income in case anything should happen to you? Then your wife will be able to balance her budget without worry.

A Family Protection Plan of Life Insurance will provide your family with \$100 a month, each month for twenty years, and in addition \$10,000 in cash at the end of that period. Or you can arrange larger or smaller payments—in the same proportion.

Would you like to find out if you could arrange this definite method of providing an assured income for your family? Why not allow a Field-Man to give you complete information about

this Policy which is settling uncertainties for so many families? Telephone your local Metropolitan office and ask him to call . . . or mail the coupon.

The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



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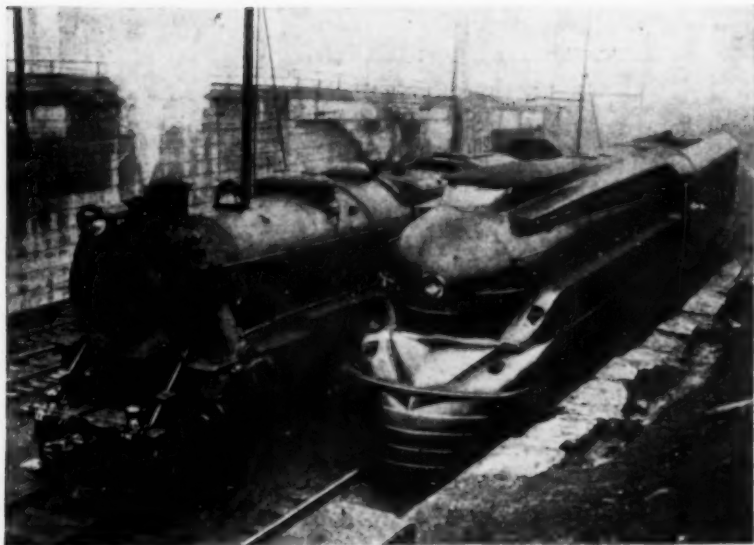
Frederick H. Ecker, President

One Madison Avenue, New York, N. Y.

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MARCH 7, 1936

15



STREAMLINED STEAM—Pennsylvania's new streamliner has only two-thirds the wind resistance of the older model, is correspondingly more efficient. The new jacket, designed by Raymond Loewy, may be opened for inspection or repairs.

aside a part for periodic wage increases or dividends to the workers.

Shoe prices soon started to rise and by the end of the year revision was in prospect. At the same time it developed that some workers were worried by the fact that the weekly pay was now, say, \$27.69 instead of \$30, as it had been for the 48 working weeks of the previous year. A man might be getting the same amount but it looked like less in the pay envelope.

So, as a first step toward revision, the

management has removed this arithmetical irritation by increasing all pay checks to last year's normal weekly size.

Workers are naturally enthusiastic. So is the management. Assurance of an even income has improved both morale and production. The company plans to keep the wage as close to maximum as possible so that adjustments will be at a minimum. Weekly plant bulletins are issued showing the workers just how the sum available for adjusted compensation stands.

Rail Fare Down; Buses Will Cut

Interstate Commerce Commission overrules Eastern railroads by ordering reduction. Bus lines will meet the lower fares but air lines stand pat.

Bus lines will cut under the Interstate Commerce Commission's order establishing railroad passenger fares of 2¢ a mile in coaches and 3¢ in Pullmans at maximum rates, effective June 2.

Air lines aren't much worried. In the depression their traffic has climbed steadily.

Col. Edgar S. Gorrell, president of the Air Transport Association, thinks a reduction is unnecessary. "With the universal scrip plan allowing 15% reductions, the air lines in many cases now meet rail-plus-Pullman rates," he says. "Due to more direct routes and the saving in meals, which are furnished gratis by the air lines, I foresee no slackening in our passenger business. It has increased appreciably even in the Western and Southern territories, where these low rail rates have prevailed."

The Pennsylvania, the New York Central, and the New Haven, the only railroads opposed to the commission's action, may appeal, but it is understood that they prefer to avoid a fight.

The Baltimore & Ohio, which has been holding off on a fare cut in deference to its big competitors, welcomes the commission's order with much enthusiasm.

Eastern roads expected the bus lines to cut, but the commission hopefully assumed that present bus fares were made to meet not the basic railroad rate of 3.6¢ but special fares, which have brought the average coach rate down to 2.05¢ in the East.

Bus competition, which accounted for 3% of intercity passenger traffic in 1933, is not regarded by the ICC as nearly so important an element in determining

what the traffic will bear as the private automobile, which carried 89.3%, leaving 7.7% for the railroads.

The decision is intended to make railroad passengers of people who are now traveling by private automobile or not traveling at all. Should this intention miscarry, the commission will welcome a petition for modification of its order.

Cut Felt Most in East

Only in Eastern territory does the order have practical effect as roads elsewhere have long since abandoned the basic rate of 3.6¢ and have recaptured much traffic on a coach rate of 1½¢ one-way and round-trip in the South, and 2¢ one-way and 1.8¢ round-trip in the West.

Because they have a lot of "high-class" commercial traffic, the three big Eastern roads contend that they will lose rather than gain by the fare cut. The commission concedes that a large volume of traffic is tied to the rails in the Eastern district but thinks that there will be enough new passengers to more than make up for the loss per fare.

It also surmises that round-trip fares on both coach and Pullman traffic at a lower rate would bring in more revenue than the higher one-way fares prescribed as maximums. This much is left to the managerial discretion of the railroads to determine.

The commission does not agree with the Eastern roads that low fares are a bait for recreational and educational traffic only. It is confident that more commercial travelers are now in automobiles than trains.

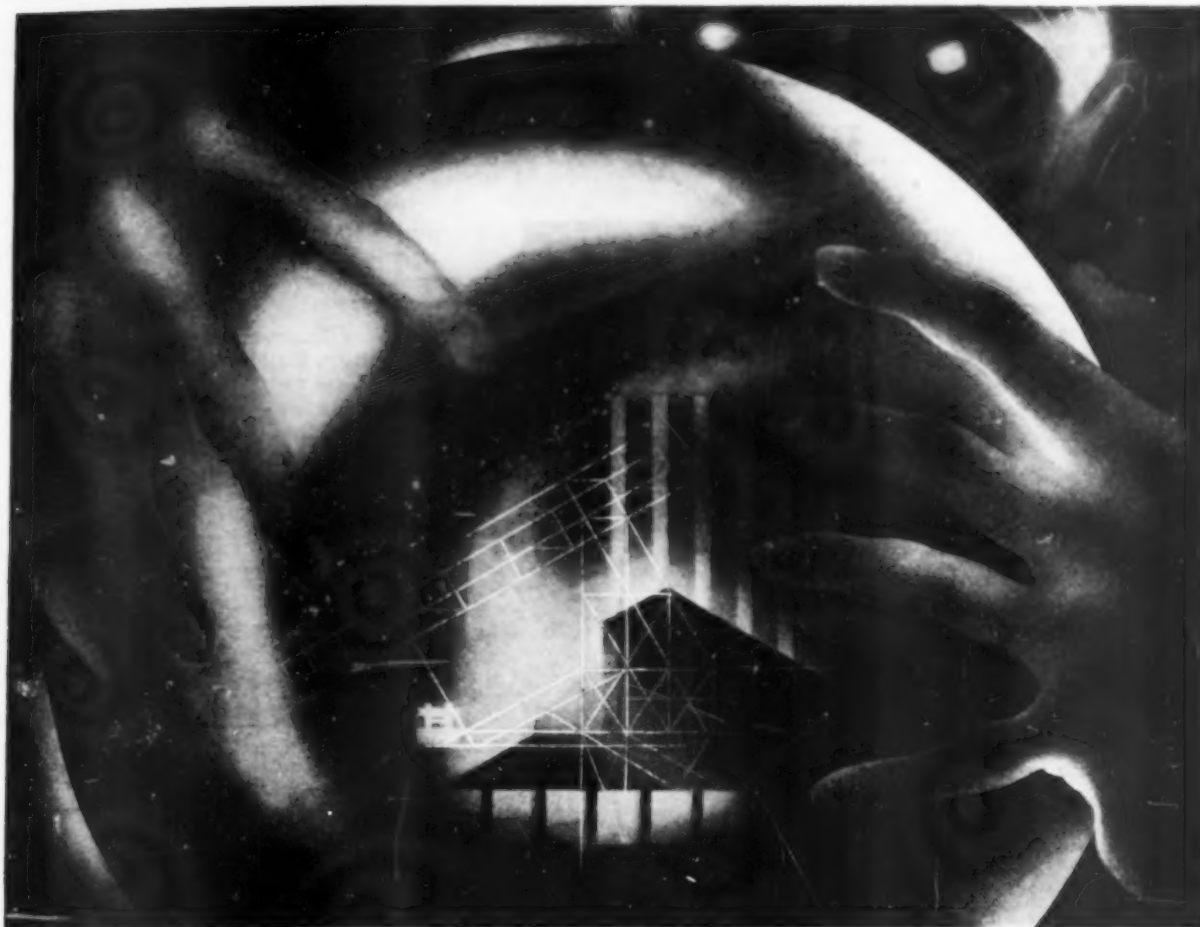
The railroads can't rely simply on improved service to bring back traffic, according to the ICC, as improvements in both motor and air transportation have been far greater in the past 10 years and can be expected to at least keep abreast of improvements by rail.

The present equipment and schedules are more than adequate to take care of the hoped-for increase in traffic, the commission thinks. Where added service is necessary, the commission urges the railroads to consider the probable economy of buses and also of lightweight trains.

Popular Protest Charged

Elimination of the Pullman surcharge, equivalent to approximately 0.4 cent per mile, was ordered by the commission in conjunction with the reduction in the basic rail rate, on the ground that it has no place in any permanent fare structure. The commission thinks popular protest against the surcharge is retarding passenger business.

To the continuation of extra fare trains such as Pennsylvania's Broadway Limited, New York Central's Twentieth Century and Santa Fe's Chief, the ICC has no objection, provided that prompt and comfortable through service is available on standard-fare trains.



Predictable profits

IN MANY industries, cost and production calculations are still made largely under "the rule of 'if'." Profit margins may be set, but their realization is more often a matter of hope than of confidence. If things go well . . . if there are no unforeseen difficulties — no batches of poor materials; no added or slowed-up operations; no abnormal reject losses — the day is saved . . . competition can be met without sacrifices.

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THOMAS A. BUCKNER
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JAMES G. HARBORD
Chairman of Board, Radio Corporation of America



CHARLES D. HILLES
Resident Manager, New York State Employers' Liability Assurance Corp.



HALE HOLDEN
Chairman, Southern Pacific Company



HERBERT HOOVER
Former President of the United States



PERCY H. JOHNSTON
Chairman of Board, Chemical Bank & Trust Co.



WILLARD V. KING
Native



GERRISH H. MILLIKEN
President, Dering, Milliken & Company



FRANK PRESBREY
Chairman of Board, Frank Presbrey Co., Advertising



EDWARD L. RYERSON, Jr.
Vice-Chairman, Inland Steel Company



ALFRED E. SMITH
Former Governor of the State of New York



J. BARSTOW SMULL
Vice-President, J. H. Winchester & Co., Inc.



PERCY S. STRAUS
President, R. H. Macy & Co., Inc.



RIDLEY WATTS
Director, Chemical Bank & Trust Co.

NEW YORK LIFE INSURANCE COMPANY

91st Annual Statement

DECEMBER 31, 1935

A MUTUAL COMPANY
FOUNDED IN 1845

INCORPORATED UNDER THE LAWS
OF THE STATE OF NEW YORK



To the Policyholders and the Public:—

During the year 1935 the New York Life Insurance Company paid or credited \$141,602,272 to living policyholders and \$67,991,240 to the beneficiaries of those who died. These huge disbursements reflect the great social service rendered by this mutual Company through the cooperative effort of its policyholders.

The Company's assets were \$2,243,587,752 at the close of 1935, an increase of \$134,082,528 over the previous year. Bonds eligible for amortization are carried at their amortized value determined in accordance with the laws of the State of New York. All other bonds, including bonds in default, and all stocks (guaranteed and preferred), are carried at market value as of December 31, 1935. The following table shows the diversification of the Company's assets at the end of 1935.

	Assets Dec. 31, 1935	Per Cent of each Item to Total Assets
Cash on Hand or in Bank.....	\$57,207,273.47	2.55
United States Government, direct, or fully guaranteed Bonds.....	321,276,844.71	14.32
State, County and Municipal Bonds.....	218,461,034.63	9.74
Railroad Bonds.....	326,116,485.74	14.54
Public Utility Bonds.....	165,657,871.33	7.38
Industrial and Other Bonds.....	25,607,657.58	1.14
Canadian Bonds.....	53,235,381.24	2.37
Foreign Bonds.....	1,500,627.37	.07
Preferred and Guaranteed Stocks.....	80,880,743.00	3.60
Real Estate Owned (Including Home Office).....	115,335,505.83	5.14
Foreclosed Real Estate Subject to Redemption.....	4,106,615.78	.18
First Mortgages on City Properties.....	425,058,944.91	18.95
First Mortgages on Farms.....	9,493,652.22	.42
Policy Loans.....	379,961,059.47	16.93
Interest & Rents Due & Accrued.....	29,544,227.37	1.32
Net Amount of Uncollected and Deferred Premiums.....	29,997,474.44	1.34
Other Assets.....	146,303.28	.01
TOTAL ASSETS.....	\$2,243,587,752.37	100%

Securities amounting to \$35,712,134.15 included above are deposited as required by law

The liabilities, including policy reserves calculated on the most conservative basis used by American life insurance companies, were \$2,126,880,881 on December 31, 1935. A Special Investment Reserve of \$40,000,000 not required by law, and reserves of \$40,073,472 for dividends payable to policyholders in 1936 are included in the liabilities.

Surplus funds reserved for general contingencies amounted to \$116,706,871.

Mortality was favorably low. Expenses were slightly higher, due chiefly to increased taxation.

The interest yield on securities obtainable in 1935 of the high quality and type demanded by the Company for the investment of its policyholders' funds declined throughout the year. In view of the general financial situation and in adherence to the Company's principle that safety is the first requisite in life insurance and must always be the first consideration, the Company deemed it prudent to strengthen its reserves.

At the close of 1935 the Company had 2,672,636 policies in force giving insurance protection of more than \$6,620,800,000 to homes, families and business interests. The amount of new insurance issued by the Company during the year was \$466,356,000. In addition, men and women paid \$40,428,582 to the Company for annuities to provide a guaranteed life income.

During its history of 91 years, throughout every financial and economic crisis, the New York Life has met every obligation it assumed. Today, as in the past, it is sound and safe. Policyholders may be assured as to their wisdom in making provision for their dependents in event of death and for themselves in old age through their insurance in this Company.

A more complete report listing the securities owned by the Company, as well as detailed information on any of our policy contracts, will gladly be sent upon request to the Company's Home Office, 51 Madison Avenue, New York, or to any of its Branch Offices throughout the United States and Canada.

Thos. A. Rivermer
President



PIE WAGON, MODERN STYLE—Hanscom Baking Corp. finds that pastries stay hot and fresh in this stainless steel truck, built by the Edward G. Budd Manufacturing Co. and insulated throughout. The truck and chassis were built by Autocar Co., and stainless steel is used in structural framing as well as for the outer sheathing. A load of nearly five tons may be carried.

Business Week

Trucks Are Goin' to Town

Manufacturers started out this year by selling more than ever before, and they expect 1936 to break all records. Emphasize driving ease, comfort, and looks.

FRESH from the second biggest year on record, motor truck builders have started out 1936 with a zip which bids fair to topple 1929 sales and production figures before the year is out.

January sales were 42,000 units, an all-time high for that month. The arctic weather in February cut down sales somewhat, but not to the extent experienced in passenger cars. Some dealers delivered more trucks than passenger cars last month, whereas usually the ratio is one truck to four or five cars.

Even in the heavy-duty types, which have had hard sledding during the depression, retail sales are on the up. This type is bought mostly by long-distance commercial haulers and by construction companies.

South and West Lead

Sales have been best in the South and Southwest and along the Pacific Coast, where the weather has been more favorable than elsewhere. Fleet operators have been more active purchasers; they have at last put back into service or junked trucks laid up during bad times, and they are again forced to spend generously for replacements and expansion.

Truck business generally has been good. Small merchants have been buying. So have farmers. Replacements have been sold to department stores on the basis of new designs permitting

greater haulage capacity and package deliveries in a shorter time.

Marshall Field & Co., for example, has been able to cut delivery costs with a truck holding more packages and enabling the driver and helper to get out and in with greater ease.

Heavy-duty truck companies contend their sales volume is beginning to come back because the tractor-trailer combination isn't so economical as claimed. True, they say, the original investment is less than for a heavy truck, but maintenance costs and down-time for repairs make the owner pay up in the end.

On the other side, however, are indisputable statistics showing that last year 93.4% of all trucks sold in the United States were less than two tons in capacity, compared with 91.5% the previous year.

Commercial cars and trucks rated at three-fourths ton or less accounted last year for 37.4% of all truck sales, in 1934 for 28.6%.

All truck makers are hammering away on sales points which mostly have been associated with passenger cars—ease of driving, comfort of drivers, smart appearance, streamlining. Some stress the fact that buyers can choose from a large variety of colors without added cost or delay.

The White Motor Co. reports its orders in January were double those of

the same month a year ago, because of the demand for its completely streamlined models. Yet certain truck companies say streamlining stops when it begins to add to costs. After all, economy sells more trucks than any other feature.

One company making huge custom-built streamliners for gasoline companies and other classes of buyers admits these units aren't the most economical, but says that users charge off part of the cost to advertising because of the attention they attract on the road.

Move Into Light Field

Many companies manufacturing heavy-duty trucks have taken steps to get into the light-truck business.

General Motors Truck leads off its 1936 line with a half-ton model at \$425, and follows it with a one-and-one-half to two-ton model at \$525. Federal Motor Truck is in the market with a 4-cylinder three-fourth to one-ton truck, which has increased business greatly.

Mack Trucks has invaded the light-truck field with a line of Mack Jr.'s ranging from a half-ton model at \$535 to a two-third ton truck at \$1,035. Reo is pushing a series of trucks from one-half ton in capacity to big four- to six-ton models, claiming it now has models meeting 98% of all commercial requirements.

Meanwhile heavy-duty truck builders continue efforts to save space, weight, and length in order to meet rigid state requirements and get operating economies. Mack Trucks has announced two new "Traffic-Type" models (cab-over-engine) three feet shorter than the corresponding conventional models.

The truck industry is looking to the farmer for much business this year. Dodge is putting out a high-wheel truck providing clearance for driving over poor side roads.

A score or more of truck-body manufacturers are doing much better than in several years because of sharp improvement in truck production in the past year and because truck companies aren't making such a wide line of standard bodies themselves as they formerly did.

New Chevrolet Body Plant

Chevrolet is now finishing a new commercial body plant at Indianapolis which replaces the former plant acquired from Martin-Parry. It should cut production costs and provide more capacity if needed.

Truck sales depend on widespread distribution, which in turn depends on an adequate number of dealer outlets. Hence all companies are redoubling their efforts to get more dealers, and passenger-car manufacturers now in the commercial car and truck business are spending money to make their dealers "truck-conscious."

Alliances between companies building light trucks and those making heavy-duty trucks are helping to keep up the volume of the "independents."



but it is extremely important to any purchaser of Air Conditioning

ONLY A CIRCLE OF POLISHED STEEL—yet so carefully made, so true to the last ten-thousandth of an inch, that it *seals a free-turning* shaft against any pressure it may be called upon to withstand . . . simply by the contact of metal against metal.

Only a ring—yet it took a group of York engineers 3 years to develop and perfect this almost frictionless seal to the point where it made possible far more efficient small compressors capable of utilizing modern refrigerants. It revolutionized certain types of Air Conditioning.

Only a ring . . . (part of the York patented "Balanseal") . . . but it symbolizes the infinite pains and searching experiment York constantly carries on to develop more dependable Air Conditioning and Refrigeration.

York is founded upon many such "rings" of achievement . . . not only mechanical discoveries, but also those intangibles of service and uncompromising standards of workmanship which have made the York organization "Headquarters for Mechanical Cooling since 1885."

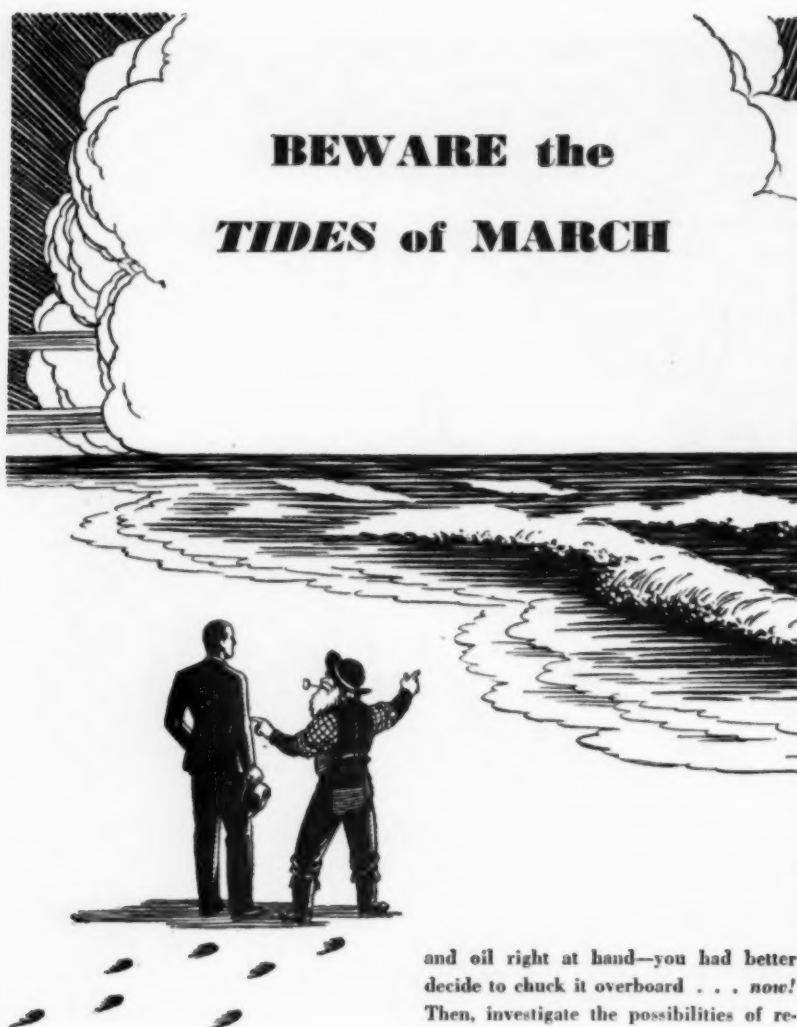
It is particularly reflected in the complete engineering service for Air Conditioning provided by York through Headquarters branches located in every important center of demand. A service which not only sells, but *engineers* air conditioning, individually fitted to the job, whether for the smallest store or the largest building.

YORK ICE MACHINERY CORPORATION, YORK, PENNA.
HEADQUARTERS BRANCHES THROUGHOUT THE WORLD
Commercial and Industrial Air Conditioning • Commercial, Industrial and Institutional Refrigeration • Dairy and Ice Cream Plant Equipment

YORK

Headquarters for Mechanical Cooling Since 1885

A I R C O N D I T I O N I N G • R E F R I G E R A T I O N



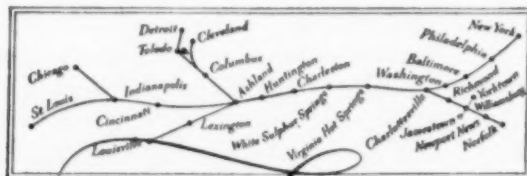
THIS MONTH the tide of recovery continues to come in—but, remember, business ebbs as well as flows. If your "ship" just barely floated off the rocks of depression, take advantage of the opportunity to lighten your load so you won't be left high and dry again.

In these uncertain times it is an economic burden to "carry" a plant that is merely ballast. If your factory isn't located close to sources of basic raw materials—with ample supplies of coal, gas

and oil right at hand—you had better decide to chuck it overboard . . . now! Then, investigate the possibilities of relocating along the Chesapeake and Ohio!

The territory served by George Washington's Railroad is rich in natural resources—and close to your major markets. Here, power and fuel costs are low—American-born labor abundant. And, in addition, it boasts the finest freight and passenger service in the world.

George D. Moffett, Chesapeake and Ohio Industrial Commissioner, will be glad to help you shift your plant. Address your request to him at Huntington, West Va.



George Washington's Railroad
CHESAPEAKE and OHIO
Lines
 Original Predecessor Company Founded by George Washington in 1785

Prison Goods Arrest

Supreme Court upholds Hawes-Cooper Act, which backs states up in barring penal products.

THE Supreme Court this week sustained the Hawes-Cooper act dealing with prison-made goods. Free industry (the garment trade especially) is happy to retain this legal weapon against low competitive prices which were made possible by penal labor (*BW*—Nov. 17 '34, p. 10).

The Hawes-Cooper law deprives prison goods of their interstate commerce protection. It prevents any state from selling such merchandise within another state which has prohibitive laws. Ohio won the victory. The action involved seven dozen chambray work shirts manufactured at Alabama's Wetumpka Prison and sold by Asa H. Whitfield in Cleveland.

The spiritual father of the Hawes-Cooper law is the Wilson act, which divested liquor of its interstate protection in states that prohibited its manufacture and sale.

Best Packages

Industry adds packaging awards to advertising honors.

PACKAGING perfection means skilful combination of beauty with merchandising value. So keen is the competition nowadays that judges chosen to select winners in American Management Association's contest this week had a tough time selecting the year's half-dozen best examples of 16 classifications, then picking the winners of each class, then deciding that the "best of show" award should go to the new container for duPont's Five Star Anti-Freeze preparation.

The first prizes in the competition, known as the Irving D. Wolf Awards, were distributed like this:

- (1) Most effective package employing a single color: Pepsodent Tooth Powder, entered by American Coating Mills.
- (2) Use of more than one color: Johnson's Furniture Polish, entered by S. C. Johnson & Son, and Owens-Illinois Glass Co.
- (3) Use of typography or lettering: Pilgrim Rum, entered by Felton & Son.
- (4) Shelf visibility for retail stores: Boraxo, entered by McCann-Erickson, used by Pacific Borax Co.
- (5) Most effective redesigned package: Boraxo.
- (6) Most effective use of merchandising ingenuity regardless of artistic qualities: Match box entered by International Prinking Ink Corp.
- (7) Aiding consumer convenience: Harriet Hubbard Ayer Sun Cream tube,

THE TRAVELERS

L. EDMUND ZACHER, *President*

HARTFORD



CONNECTICUT

Annual Statements

December 31, 1935

THE TRAVELERS INSURANCE COMPANY

(Seventy-second Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$248,437,624.45	Life Insurance Reserves	\$671,217,559.89
U. S. Government Guaranteed Bonds	6,790,175.00	Accident and Health Insurance Reserves	9,651,416.17
Other Public Bonds	73,423,055.00	Workmen's Compensation and Liability Insurance Reserves	48,281,435.15
Railroad Bonds and Stocks	61,451,746.00	Reserves for Taxes	4,231,141.86
Public Utility Bonds and Stocks	64,891,578.00	Other Reserves and Liabilities	2,321,383.34
Other Bonds and Stocks	39,294,804.40	Special Reserve	12,140,270.74
First Mortgage Loans	66,222,088.59		
Real Estate—Home Office	12,195,819.98	Capital	\$20,000,000.00
Real Estate—Other	46,054,905.17	Surplus	20,067,784.56
Loans on Company's policies	119,860,667.11		
Cash on hand and in Banks	12,870,001.31		
Interest accrued	8,861,115.66		
Premiums due and deferred	26,949,977.11		
All Other Assets	607,433.93		
			40,067,784.56
*TOTAL	\$787,910,991.71	TOTAL	\$787,910,991.71

THE TRAVELERS INDEMNITY COMPANY

(Thirtieth Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$4,782,097.00	Unearned Premium and Claim Reserves	\$8,163,878.43
Other Public Bonds	2,061,183.00	Reserves for Taxes	388,100.39
Railroad Bonds and Stocks	1,808,346.00	Other Reserves and Liabilities	488,644.74
Public Utility Bonds and Stocks	1,466,331.00	Special Reserve	7,410,246.47
Other Bonds and Stocks	11,319,476.00		
Cash on hand and in Banks	2,389,576.90	Capital	\$3,000,000.00
Premiums in Course of Collection	1,817,658.85	Surplus	6,285,826.27
Interest accrued	92,027.55		
			9,285,826.27
*TOTAL	\$25,736,696.30	TOTAL	\$25,736,696.30

THE TRAVELERS FIRE INSURANCE COMPANY

(Twelfth Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$9,932,000.00	Unearned Premium and Claim Reserves	\$11,933,793.39
Other Public Bonds	505,500.00	Reserves for Taxes	512,716.38
Railroad Bonds and Stocks	1,379,850.00	Other Reserves and Liabilities	121,835.88
Public Utility Bonds and Stocks	3,194,316.00	Special Reserve	2,549,682.43
Other Bonds and Stocks	2,924,676.00		
Cash on hand and in Banks	1,834,284.93	Capital	\$2,000,000.00
Premiums in Course of Collection	1,420,752.08	Surplus	4,221,725.33
Interest accrued	126,440.13		
All Other Assets	21,934.27		
			6,221,725.33
*TOTAL	\$21,339,753.41	TOTAL	\$21,339,753.41

THE CHARTER OAK FIRE INSURANCE COMPANY

(First Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$1,017,000.00	Reserves for Taxes	\$ 200.00
Cash on hand and in Banks	185,630.71	Capital	\$500,000.00
Interest accrued	5,348.45	Surplus	707,779.16
			1,207,779.16
*TOTAL	\$1,207,979.16	TOTAL	\$1,207,979.16

*Assets include securities deposited with State and other authorities, as required by law:

The Travelers Insurance Company \$19,354,817.00; The Travelers Indemnity Company \$1,200,093.30; The Travelers Fire Insurance Company \$605,790.00; The Charter Oak Fire Insurance Company \$300,000.00.

ALL FORMS OF LIFE, CASUALTY AND FIRE INSURANCE

entered by National Collapsible Tube Co.

(8) Combination sales unit: Botany skirt, manufactured by Botany Worsted Mills, entered by DuPont Cellophane Co.

(9) Layout or decoration: Five Star Anti-freeze.

(10) Inventive genius: Aero Carboy, entered by American Cyanamid & Chemical Corp.

(11) Use of two or more materials: Stop Spot Cleaner, entered by Union Oil Co. of California.

(12) Best family of packages: Chevrolet line.

(13) Shipping container design: Rel jelly for colds, entered by Maryland Pharmaceutical Co.

(14) Shipping container ingenuity: Jiffy banana package, used by Meloripe Fruit Co. and entered by Jiffy Pad & Excelsior, Inc.

(15) Counter displays: Sell-a-Set, entered by Washburn Co.

(16) Floor displays: Stand entered by Hinde & Dauch Paper Co., used by Lever Bros.

Honors for Advertising

Industry adds these packaging prize-winners to the list of those companies recognized by the Annual Advertising Awards (*BW*—Feb 29 '36, p 8) as having distinguished themselves in that field during the past year. Winners in the national media classifications include: magazines—White Rock Mineral Springs Co. (Newell-Emmett Co., agency) and newspapers—Postum (Young & Rubicam, agency).

In the industrial publications division, winners were Bakelite Corp. (Rickard & Co., agency), Aluminum Co. of America, (Fuller & Smith & Ross, agency), Taylor Instrument Cos. (Batten, Barton, Durstine & Osborn, agency).

Best campaigns appearing in trade and professional publications were those of Vermont Allied Dailies, *The New Yorker* (Batten, Barton, Durstine & Osborn, agency), and Luxene Resinoid—a Bakelite product (Rickard & Co., agency).

Big News for the Newspapers

Leading services all jump into the field with cheap wire-photo systems, promising more action pictures.

ONE of the most notable developments in American journalism since the birth of the tabloid newspaper almost two decades ago was indicated this week. It is nation-wide spot-news picture coverage, due within the next 60 days.

Last week, the *New York Times*-Wide World photo service beat the gun with its announcement of a new lightweight portable transmitting unit which can send photographs over regular telephone wires at standard long-distance rates from any local telephone in the country.

A few days later the Associated Press announced that it was ready to match Wide World's bid with a similar type of wirephoto equipment, and at the end of the week, *Editor & Publisher* revealed that Hearst's International News Service and the United Press NEA-Acme outfit were also set for the race.

All of which means that within the short time required to perfect the services and build and install receiving apparatus, a steady stream of news pictures, less than a half hour old, will march across the news desks of leading papers from coast to coast.

The inevitable time-lag which has confined the use of action photographs in daily papers almost exclusively to local shots will at last be eliminated, and the trend toward more pictures,

initiated by the tabloids and boosted by the recent development of candid camera photography, will be quickened.

Like Wide World's system, the Acme equipment will work on the induction principle, the transmitter simply being placed close to the telephone box. From present indications, Acme will probably be the last to get into active wirephoto operation.

Coast-to-Coast Service

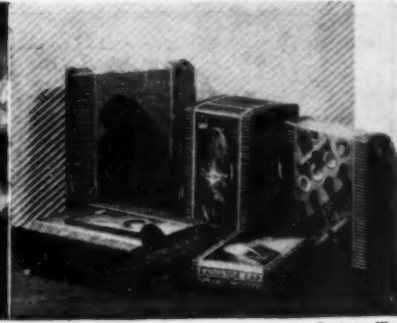
I.N.S. proceeded with the installation of a Chicago-New York circuit this week and expects to be operating on a coast-to-coast basis before the month is out. Its 45-lb. transmitting equipment puts the picture on a "sound beam" and broadcasts it into the telephone mouth-piece.

A.P. has had a wirephoto service functioning for more than a year, but pictures could be transmitted only over a special A.T.&T. circuit and by means of stationary leased machinery; costs have been considerably higher than are expected with the new equipment.

Now A.P. is ready to take the field with 25 portable units of its own, which will transmit pictures over regular telephone wires to some point of entry on the established A.P. circuit. This equipment blows up photographs in transmission from 4"x5" to 8"x10" size and preserves remarkably clear definitions.

A.P. will continue supplying member papers with a minimum of 40 wire-photos a day, though the other picture services have indicated they intend to begin service on a bulletin basis. All services contemplate the use of "conference circuits," enabling them to drop off pictures at several cities simultaneously.

The Federal Communications Commission has experimentally approved the use of telephone facilities for wirephoto purposes until Aug. 7.



THE WINNERS—Judges pondered long over this year's entrants in the American Management Association's packaging competition. Du Pont's Five-Star Anti-freeze, winner in the design

classification, also took the Wolf best-of-the-show award. Boraxo (Pacific Borax Co.) took two firsts, best visibility and best redesigning. Chevrolet won honors for its family group.

V-8 ECONOMY PROVED ON ALL TYPES OF TRUCK OPERATIONS

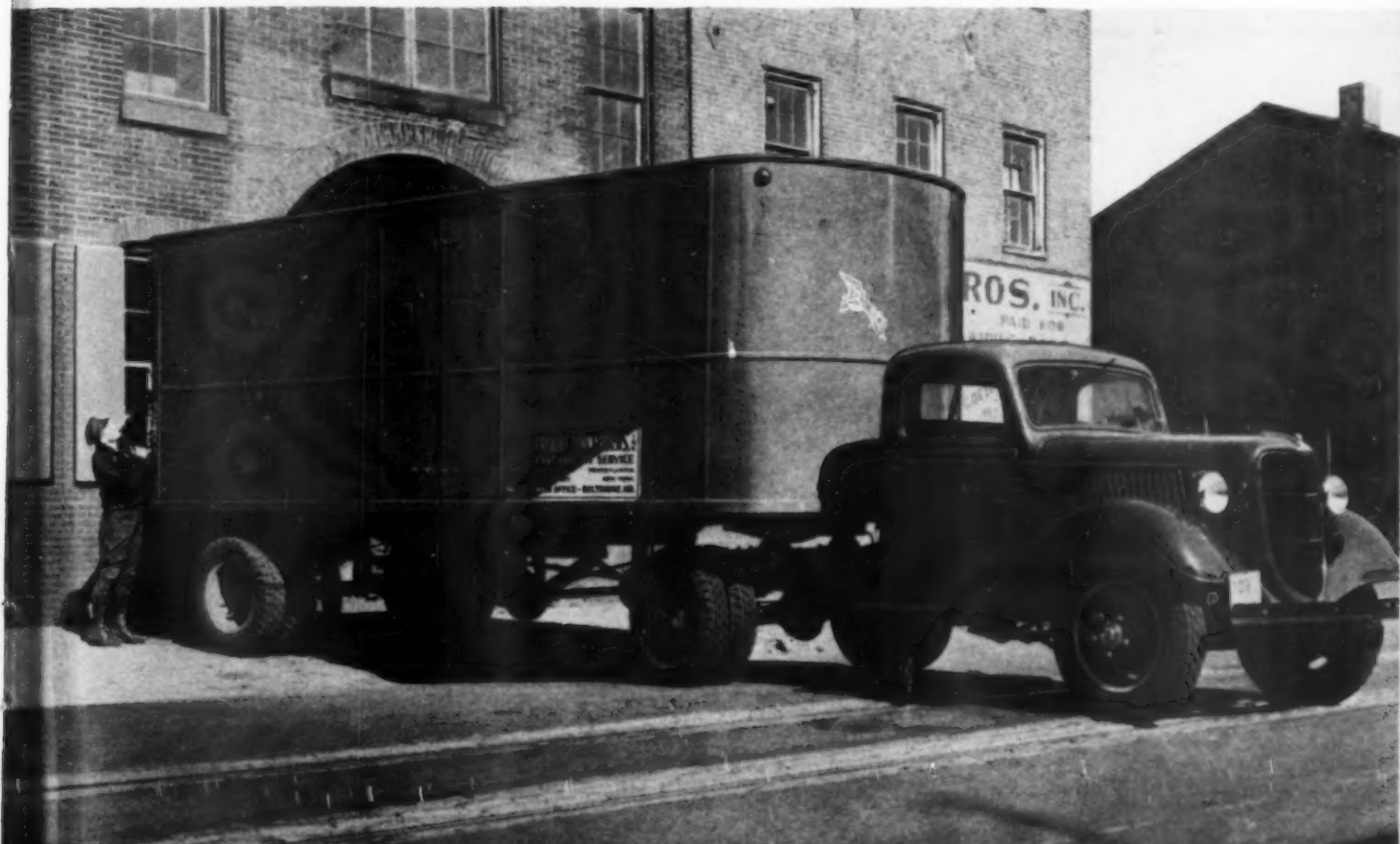
FORD V-8 Trucks and Commercial Cars have traveled BILLIONS OF MILES, saving money for hundreds of thousands of owners and serving them well. They have hauled freight over the highways . . . crops out of plowed fields . . . petroleum from wells to refineries . . . logs over corduroy roads. They have moved cattle to new pastures . . . hogs to the feeding pens . . . coal from mines to yards. They have carried rock out of quarries . . . concrete to the pouring forms . . . bricks to building sites. They have delivered milk, bread, clothing, laundry, groceries, meats and beverages to millions of homes.

The cost records of owners PROVE V-8 ECONOMY. These records show over-all economy as well as savings in fuel and oil costs. Interest and depreciation

charges are low because of low first cost. Maintenance expense is low because of V-8 Reliability and because of Ford's low-cost engine and parts exchange privileges. Insurance, taxes and wages are less because V-8 Performance permits doing jobs that formerly required more or bigger trucks.

PROVED BY THE PAST . . . Ford V-8 Trucks and Commercial Cars have been IMPROVED FOR THE FUTURE. You can expect even greater economy . . . even more sensational performance . . . even more impressive reliability from these 1936 Ford V-8 Trucks and Commercial Cars. And your expectations will be fulfilled! Call your Ford dealer today and set a date for an "on-the-job" test with your own loads, over your own roads, with your own driver.

\$25 A MONTH, with usual down-payment, buys any 112-inch Ford V-8 Commercial Car.



FORD V-8

TRUCKS AND COMMERCIAL CARS

What



THE ICE TEST. Asphalt coatings on steel behave differently under conditions of cold such as attack a roof during a severe winter (approximated in the test shown here). Unsuitable asphalts chip, crack, scale off when the steel is bent. The asphalt which goes into Robertson Protected Metal retains its elasticity, plasticity and adheiveness. Knowing how to make asphalts like this is just one of the things we know which isn't in the books—but which is vital in the manufacture of a satisfactory protected metal.



ROBERTSON *Protected*

we KNOW *isn't* *in the* BOOKS

YEARS AGO we patented the idea of a steel roofing protected with asbestos felt and asphalt. The idea was sound and we made good roofing from the start. Much of this early production is still giving service.

But there has been hardly a month since we started that we haven't learned some way to make our roofing better.

It took us a long time to learn how to process asphalt so it would stand both tropic heat and arctic cold. Ordinary asphalt will stand neither. There are roofs of ours in India which are 160 degrees most of the time; and other roofs in northern Canada where it is often 60 degrees below zero. They are the same in quality and are doing fine.

Quality is a matter of knowing how, and what we know isn't in the books, has not been patented.

Someone wants a roof that will be uninjured by fumes. Another has a fire hazard. Salt air, humidity, hurricanes, wind

erosion, are conditions to be met on other jobs.

In thirty years we have learned how to make roofing that will stand 'most *anything*.

No one else could possibly make our kind of roofing as well as we make it, because no one else knows what we know about making it.

If you are interested in an industrial building project of any kind, we invite you to write for a free copy of our new brochure "Roofs over Industry." It explains fully the advantages of Robertson Protected Metal, and depicts in dramatic photographs the care, science and knowledge which go into its making.

H. H. ROBERTSON COMPANY
2006 GRANT BUILDING 1 1 1 PITTSBURGH, PA.

THIS COMPLETE PROTECTION of the metal core is what has made Robertson Protected Metal world famous as a material for roofs and sidewalls of industrial buildings.



METAL

THESE MEN are laying a Robertson Protected Metal roof. RPM roofs, many of them 10, 15, 20 years old, are to be found throughout the country, in almost every industry, and in foreign lands, giving maintenance-free service under all kinds of severe exposure. Often, RPM sheets are removed after years of service on one building, salvaged, and (with their enduring qualities unimpaired), reinstalled on a new building.



My Lady Nicotine

She and corn-alcohol and road-cotton and sweet-potato starches and soybean products may be developed by government as industrial outlet for farmers.

NEW farm industries are the objective of several plans being developed by the Department of Agriculture.

If successful, these plans would take present surpluses into industry for the manufacture of new things or of things to replace imports, thus giving permanent relief.

Some of the products now being studied are:

(1) Nicotine, produced from dark tobacco. The loss of foreign markets for some Kentucky tobacco supplies makes this important. Industrialization for nicotine manufacture would be a real relief, and would possibly help almost equally in providing new chemical supplies for the insecticide market.

(2) Alcohol, produced from corn surpluses. This is the old alky-gas story. The present project contemplates contracts with existing brewers and distillers to make industrial anhydrous alcohol. The form of subsidy to be given will depend on decisions of the Comptroller-General on what the present laws allow. It may take the form of quick amortization of necessary new equipment, assistance to the alky-gas marketers, or direct allowances to offset production costs above the market value of the product as motor fuel.

Cotton Roads Indefinite

(3) Cotton for road-building. This is much talked of. The heavy industrial cotton would be used almost as a reinforcing material in the top surface of asphalt or of oil-bound roads. Some claims of success stimulate government interest; but this project has not really gone beyond proposals that the Bureau of Public Roads collaborate with the Agricultural Adjustment Administration in further field investigations.

(4) Starch, produced from surplus sweet potatoes, notably culls and jumbos which do not command good food markets. This project has been investigated by the Bureau of Chemistry and Soils. Last year a small experimental factory was run which made a starch so satisfactory for paper and textile manufacturers that it was able to command a higher price than the best imported grades.

Main drawback is that new capital required will work at a rather low efficiency, being employed only a few months in the year. Furthermore, farm cooperatives will probably be essential as backers, since the proposed industry appears to require many small, scattered factories and not a few big ones. If all imported industrial starches were so

replaced, this would take about a quarter million acres in sweet potatoes.

(5) Soybean products. These are doing well by themselves, but Uncle Sam would like to stimulate their production (in which Henry Ford has been one of the leaders). To the extent that the products become either food or feed, they do not offer real relief, because they are only substitutes for other food or feed, the surpluses of which are thus increased. But the industrialization now proposed would create new soybean plastics and other non-food, non-feed products.

Chemists Can Help

(6) Domestic substitutes for foreign oils. These are a leading objective. The difficulty is that the Lord made palm-tree fruits distinctive in the characteristics of their oil content, and the soap man cannot get along without these. But chemists can synthesize the missing constituent, and might make it possible to advance from the present soap using 60% to 65% of domestic



FLOURISHING—Coal bootleggers in the Pennsylvania fields, who have been invading mine properties, digging and selling right and left, are still at it. Gov. Earle has declined to "take steps" and union miners told operators this week that bootlegging probably would continue as long as there were 20,000 miners out of work.

soap-fats to one using domestic products throughout—90% from corn, cotton, and other things grown on the farm, and 10% from petroleum.

Administrator Chester Davis, of AAA, thinks there is plenty of authority under the present law to undertake the stimulation of all these enterprises. But he also thinks that they will develop slowly, over many years.

Balance Needed Now

All together can now take care of only a few of the millions of acres which should be withdrawn from purely agricultural production to balance supply with demand.

The funds for these projects, under the AAA law of last year, can come from 30% of the customs duties collected. Even if large subsidies are essential, this would give abundant funds. But to use this money the President must change his frequently announced idea that this is not the way to handle Treasury cost-keeping.

More necessary than a subsidy is the allotment of money for industrial research. It is expected that big industrial groups will collaborate in this, if they are assured that there will be sound programs of investigation.

The Chemical Foundation is known to be sufficiently interested to underwrite at least one demonstration plant to produce alcohol. Reports this week from Kansas City that such an arrangement had been made with Bailor Manufacturing Co. of that city brought the reply that no negotiations had been completed.

Meantime, industrial development without Uncle Sam's help has probably done enough in the past year to divert the products of a half million acres to new industrial uses. But that's only 1% of the total job to be done.

Coal Troubles

Anthracite struggles over new wage agreement and watches bootlegging, up 38%.

HARD coal men were hard at it in New York this week. They are trying to work out a new wage agreement for the anthracite industry before the present contracts expire Apr. 1. The United Mine Workers of America presented the demands adopted at their recent tri-district convention, embracing a six-hour day and five-day week, substantial increases in wage scales and various improvements in working conditions.

Meanwhile, the menace of anthracite bootlegging (*BW*—Nov. 23 '35, p. 20) has been given fresh color by the report of a study just completed by the Anthracite Institute. Last year, it says, 3,607,600 tons of stolen coal was trucked over the roads from the southern anthracite region. Of this 2,423,600 tons were sold in Pennsylvania, 396,700 in Mary-

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— nor winning cars by what the eye alone can see

● 10,000 new novels are printed each year. Additional thousands of non-fiction books roll annually from the presses.

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• • •

Every truly great automobile possesses *unseen value*. It is the personality of great car-makers implanted in their products. America has found that this is so . . . and in the history of the Chrysler Corporation the evidence is written large.

About ten years ago, when the Chrysler Corporation started, the automobile field was firmly held by well-established manufacturers. Today, this ten-year-old is one of the industry's giants . . . providing livelihood for nearly half a million Americans . . . producing one out of every four motor

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5. *Has it all-steel body?*
6. *Does it drive easily?*

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CARS HAVE ALL SIX

cars sold. In 1935, the Chrysler Corporation was the only one of all American car-makers to maintain a rate of production greater than in rich and prosperous 1929.

Your own judgment of human nature tells you that America must have found in the Chrysler-built cars . . . Plymouth, Dodge, De Soto, Chrysler and Dodge Trucks . . . exceptional *unseen value*. Or the Chrysler Corporation could never have come so far so fast!

These four Chrysler-built cars possess exceptional *unseen value* because of the *great added factor* that is to be found in

the organization that produces them.

What It Is

This all-important factor is something more than using the highest available quality of iron and steel and materials . . . or maintaining the most careful and precise workmanship. Something more even than the unusual engineering skill and genius. More . . . because it is all these things with something still greater added to them.

It is a driving and always unsatisfied determination never to stop improving motor cars. To find new materials better than the best available today. To discover and perfect new engineering principles that will provide more comfort . . . better performance . . . lower car operating costs . . . greater safety.

This is the character of the organization behind the Chrysler-built car . . . because it is the character of the men who work with Walter P. Chrysler and his associates.

And that is why there is extra measure of *unseen value* in the cars built by Chrysler Corporation . . . Plymouth, Dodge, De Soto, Chrysler and Dodge Trucks. You are sure of this *unseen value* . . . whichever one of these cars you buy.

DE SOTO
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PASSENGER CARS AND TRUCKS

Chrysler Marine and Industrial Engines

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Holding your own as a business executive—



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and made
easier
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land, 368,300 in New Jersey, 309,900 in New York, 89,000 in Delaware, 14,800 in the District of Columbia. About 1,000 tons also trickled into Massachusetts, 2,400 into Connecticut and 1,900 tons into Virginia. Bootlegging increased 18% over 1934. In the same period, legitimate coal hauled by truck from Eastern Pennsylvania declined 38%.

60% Was Bootleg

These figures were secured by checking coal trucks leaving the coal region at 52 strategic points in six states for a period of seven days. In all 22,834 coal trucks were counted. More than 60% of the coal moving along the main highway was found to be stolen. Interstate traffic in such coal increased more than 84% last year over 1934. In Maryland 91% of the trucked coal was bootleg.

Spain's Beer Canned

Manufacturers of cans for fish plan new use for product.

VIGO, home port a few centuries ago of some of the most daring of Spain's seafaring treasure hunters, is now going to give the country its first canned beer.

Half a dozen industrial leaders in this Spanish Atlantic port have decided that it is time to expand the city's canning business. Vigo is one of Spain's most important fishing centers, and much of the yearly catch is canned for distribution in neighboring countries. Samples of canned beer from abroad have recently made such a hit in the local market that leading can-makers have decided it is time to expand their business and give Spain its own beer in cans.

My Advertising Day

First Lady gets "news" space for harsh opinion on paid space.

ADVERTISING men as a class have no great love for Mrs. Roosevelt, whom they have long suspected and openly accused of animus against their profession. This week, in her syndicated column, "My Day," she heaped fuel on that fire.

The first lady was expanding on the beauty of driving in a winter's sunset down New York State's Bronx River Parkway. "That parkway," she observed, "is a joy except . . . where gas stations and restaurant signs are reminiscent of the main highway. I never felt more keenly what a pity it is that we cannot free the borders of our roads from these perpetual signs. . . . We should be ingenious enough to find a way to attract attention to our wares without this particular type of advertising."

Such solace as could be found in Mrs. Roosevelt's implied inability to

disregard their handicraft mitigated only slightly the outdoor advertising men's wrath. Forced to fight constantly against legislative restrictions, they are resigned to coping with clubwomen in the comparative privacy of hearing rooms; they are not used to seeing their opponents' bitter viewpoints obtain any publicity in the public prints. Now Mrs. Roosevelt breaks the ice on a coast-to-coast basis, and the inevitable repercussions have the industry worried.

Admen vs. FTC

Tell senators they don't want commission to get power Supreme Court denied in Marmola case.

MAY 25, 1931, was a sorry day in the history of the Federal Trade Commission. On that day the Supreme Court handed the commission a sharp rap in the teeth by throwing out its case against the Raladam Co., manufacturer of Marmola, the thyroid fat-reducing remedy.

The loss of the case wasn't as hard to take as the court's ruling that before the commission undertook to prove unfair competition, it had to establish the fact that competition was involved.

At present the commission is battling on two fronts to undo that damage.

It is grooming a second case against Marmola, carefully based this time on testimony gathered at hearings in Chicago last month from competitors in the field of fat reduction.

And, more important, it is trying to persuade Congress to amend the act under which it operates so that it may move against all "unfair and deceptive practices in commerce" and thus short-circuit the Supreme Court precedent. The bill would also give FTC virtually unrestricted powers of investigation.

Sen. Wheeler and Rep. Rayburn have introduced the amending bill (BW—Feb 1 '36, p12), and the commission has pleaded its case before the Senate Interstate Commerce Committee.

Advertising Men Worried

This week, business spokesmen took their turn before the committee, and chief among the opponents of the bill were advertising and publishing men.

Although the "unfair practices" phrase would cover anything from questionable advertising to quantity discounts, advertising men know that the sharp, new broad blade would fall most often on their copy. And since many of them still hope that the advertising control which is authorized in the pending food and drug bill will be vested in the commission and not in the Food and Drugs Administration, they have no wish to see the commission given such sweeping regulatory powers. Despite expressed alarms, nobody is much worried, for the new FTC bill, as is, has small chance in this session.



"Young man, when you have a worthy contribution, come again to your Guild"

In the days of the early guilds, it was the tradition that each member contribute his experience for the benefit of all. Customs change, times change, but the guild principle remains. It is often responsible for important improvements in the mechanical things that are now our daily servants.

IF YOU have noticed improvement in elevator service in the last few years, you probably credit it to new invention and improvement in design. That is true, of course, for the Otis Elevator is a better elevator every year. But equal credit should be given to scientific advance in elevator maintenance. Otis is caring for thousands of elevators all over the United States. Otis representatives are daily contributing to our Headquarters the elevator knowledge gained through regular maintenance work. This pooled experience serves an important purpose. It helps us find the way to speed up

elevator service, reduce shut-downs, increase comfort and convenience. And building owners and the public in general are the beneficiaries.

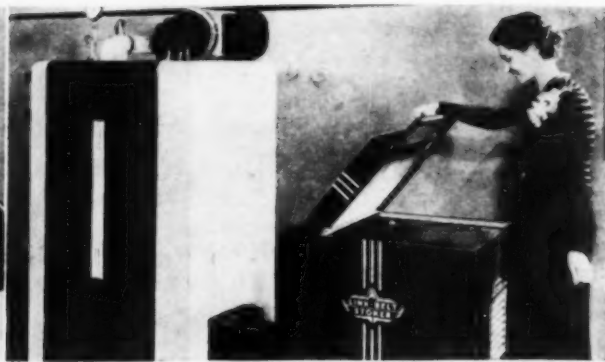
Elevator maintenance has long since outgrown the repair-service stage. Under ordinary circumstances, an elevator, no matter how good it is, starts down the hill of wear and tear the day it is installed until it reaches the point where major repairs are necessary. Under Otis Maintenance, wear and tear are checked and the elevator maintained at constant efficiency. It is the old story of an ounce of prevention being worth more than a pound of cure. To this can be added still another axiom—an ounce of prevention costs less than a pound of cure.



GET THE MOST FOR YOUR MODERNIZATION
DOLLAR—CONSULT YOUR ARCHITECT



STOKERS STEP OUT—Coal is getting fresh aids in the fuel competition. Link-Belt arms it with a new residential stoker, with modernistic enclosing of all parts to harmonize with the



jacketed boilers now on the market. Iron Fireman Manufacturing Co. is out with a brand-new idea: a "pneumatic spreader" which floats coal (up to 1½-in. lump size) on a stream of air.

Private and Public

Administration's housing plan offers "easy money" to builders of low-cost houses, and also makes loans and grants to communities that build houses for poor.

THE Administration's new housing program is ready for Congress.

In furnishing the incentive of "easy money" for private construction of new houses, it puts the inducement where the market is greatest—in the low-price range, with \$5,000 as the top for families of \$1,500 to \$3,000 income.

For families that cannot afford either to buy houses at any price or to pay an economic rent, the new legislation recognizes the necessity for public housing to be built by local authorities aided by federal grants and loans.

President Roosevelt's advisers do not concede that there is any conflict between their recommendations for public and private housing. The former, they assert, furnishes a market for just as much materials and affords as much employment per dollar as the latter.

Housing Deficit Grows

New building must eventually cover a deficit, estimated at 2,000,000 houses, as well as expected requirements of increasing population—400,000 to 500,000 new houses a year in urban areas alone during the next ten years.

The housing planners predict that unless volume steps up rapidly, there will be a rental crisis resulting in an epidemic of moratoriums, similar to that which followed widespread default on mortgages during the depression.

Just as strong as their emphasis on volume, however, is the resolve of housing officials that the attraction of assured return and complete security shall only be available to investment capital that goes into the low-price field.

The market for higher-priced houses is already opening up. The Administration's object here is not to encourage but to prevent, if possible, the over-

building that caused the market to back up on itself in 1927.

More new houses for more people is the object in authorizing the Federal Housing Administration to insure loans up to 90% on houses built and sold for not over \$5,000 during the next year or 18 months. The builder will be required to stay on the contract until the mortgage is paid down to 75%. If the bank is satisfied that the builder is a good risk, FHA will accept the mortgage for insurance.

The builder, knowing that he has to stay on the mortgage for two or three years, will presumably build more carefully. The effects of slipshod construction usually show up within a comparatively short period.

There is a further assurance of sound construction in FHA's property standards, to which the job must conform to qualify the mortgage for insurance.

Experience has demonstrated the low risk on mortgage loans on homes costing less than \$5,000, but to increase the attractiveness of the investment, the out-of-pocket costs of the mortgagee in event of default by buyer and builder before the mortgage is paid down to 75% will be covered by FHA debentures.

Mortgagees now are reimbursed in case of default by debentures representing the unpaid balance of the principal, plus 3% from the date when foreclosure was started. They only get a certificate of claim covering other losses and costs.

National banks and federal savings and loan associations will be authorized to make 90% loans under these conditions. Many state-chartered institutions may not be able to do so until state legislatures enact enabling laws.

In many states legislation previously enacted in harmony with the National Housing Act is broad enough to anticipate amendments to the federal act.

Too few operative builders have come through the depression with enough capital to build up to current requirements.

A new amendment to the act is designed to persuade lending institutions to make construction loans, thus setting up more builders in the business.

This would be accomplished by having FHA's commitment to insure the mortgage take effect from the date the building operation begins, rather than date of completion as at present.

If the builder does not finish construction, the mortgagee will have the option of finishing and selling the building, or calling FHA to take it over.

Other amendments will carry FHA beyond the single-family house into subdivision development through insurance of blanket mortgages from \$100,000 to \$10,000,000.

Private Financing Incapable

Private large-scale housing operations require a type of financing that few institutions are either willing or able to undertake at present. Except in New York City, most of the mortgage companies and mortgage bond companies have gone out of business.

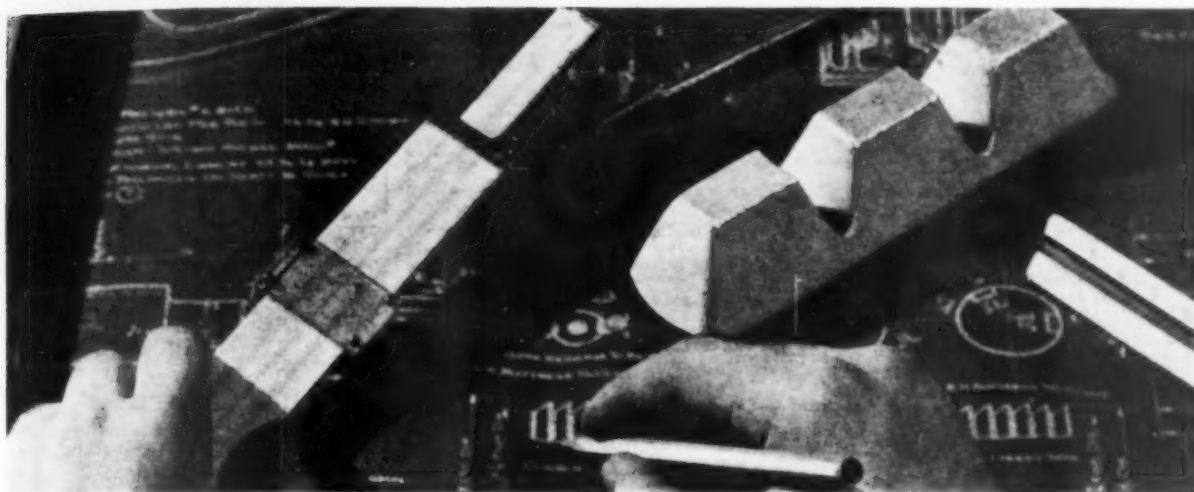
Therefore national mortgage associations organized under the National Housing Act will be authorized not only to buy and sell insured mortgages but to make loans directly on blanket mortgages by selling their debentures on the market.

Such financing would cover whole blocks of construction, and, as single houses were sold, regular lending institutions would take them over on individual mortgages.

Subdivision development so financed will be subject to a price per unit of \$5,000 for single family houses and some comparable figure for multiple-family houses.

The ratio of the debentures of the national mortgage associations to their

TRIBUTE TO CERTAIN SKEPTICS



NO EXTRAS were rushed to the streets on that February day, fifty years ago, when Charles Martin Hall discovered the commercial process for making Aluminum.

Engineers called no meetings to deliberate on ways and means of utilizing this newcomer to the great family of metals.

Yet it was the engineers, the architects, the designers, who gave Aluminum its first opportunities; their continual challenge and their co-operation made possible the present universal usefulness of Aluminum.

In the beginning, Hall and his associates had the quite understandable hope that they needed only to offer metal to a waiting world at greatly reduced prices, and forthwith there would emerge Aluminum bridges, railroad trains, and whatnot.

Feverishly they worked up their production to the then amazing figure of a ton of ingot-metal a day. But, to their astonishment, nobody wanted as much as a ton of these ingots at any price!

Engineers were interested, but humanly skeptical. And why not? They had command of familiar metals in convenient forms, such as sheets and tubes, rods and wire. Granting all the advantages of Aluminum, it was available only in the form of ingots, a highly inconvenient form of metal from which to build a railroad train.

It was this normal human reaction that forced the

infant Aluminum industry, quite against its will, to invest in costly machinery, and to set up rolling mills, foundries, and fabricating plants for turning Aluminum into the usable forms in which other metals were available.

Now the engineer had something to work with. Here and there a bold pioneer screwed up his courage and began to specify Aluminum for some new use. Others in the profession followed suit. Presently new forms, new shapes, and new and still better characteristics began to be called for.

The engineers were setting the pace!

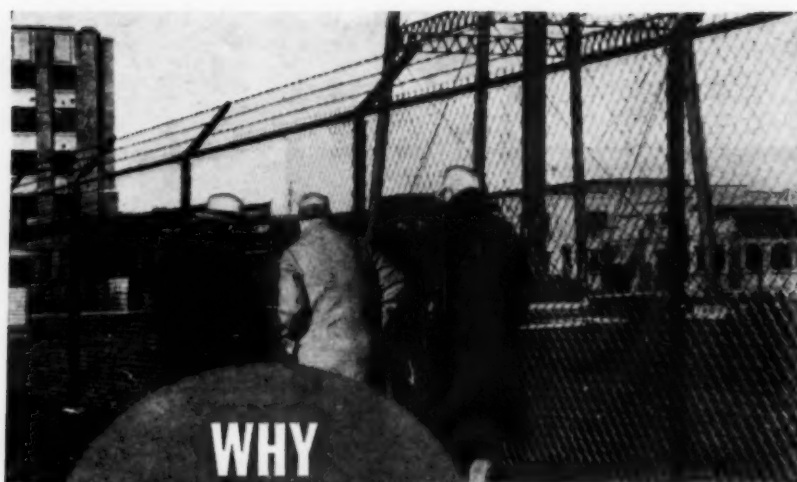
Their challenge stimulated the development of a versatile range of strong Aluminum alloys; also new forms of Aluminum, such as Alclad sheet; and new and attractive finishes, such as Alumilite. Capabilities were developed in Aluminum that had never been demanded of other common metals.

To solve problems arising out of the widening use of Aluminum, and to anticipate future engineering requirements, this company, as one factor in the Aluminum industry, established Research Laboratories and a Development Division.

That assistance is no less than is due the engineering profession. For it is because of the progressiveness of engineers and designers that Aluminum is now being used for the bridges and railroad trains visioned by the founders of the industry, in the first flush of their enthusiasm.

A FIFTIETH ANNIVERSARY MESSAGE FROM

ALUMINUM COMPANY OF AMERICA



WHY BURGLARS HATE *this Cyclone* FENCE

BURGLARS hate this formidable fence. It accomplishes what it is impossible for a watchman to accomplish alone. It is always on guard at all points of your property line. Burglars might get in but how about the getaway? They know that they can't get over or under that barbed wire top in a hurry.

Signs will not protect your property. Cyclone Fence enforces protection. It never sleeps. It never lets in the fellow with an alibi. It is certain and economical protection.

The sooner you enclose your property with Cyclone Fence, the sooner you will be saving money. Money that is now being taken away by sneak-thieves or lost

through outside interruptions to your business. One company has saved the salaries of nineteen watchmen by fencing with Cyclone.

FREE BOOK ON FENCING

Mail coupon today for the illustrated book. Contains pictures of 14 kinds of fence and tells facts you should know about chain link fence, steel picket fence, and many others. Book shows how to have a fence that is handsome as well as useful—how to have fence gates that don't drag, fence rails that won't buckle in hot weather, fence post foundations that will not be weakened by frost. No matter whether you are thinking of building a fence now or later, no matter whether you run a factory or a railroad yard—a few feet of fence or ten miles of it—you need this valuable book. Send for your free copy today. No obligation.

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capital stock will be limited to 20 to 1. As the mortgages securing the debentures are insured, this in effect constitutes a guarantee of a guarantee. The interest rate on debentures will be low, however, keeping down the cost to the mortgagor.

If enough private capital does not rally to the mortgage associations (the law requires subscription of \$2,000,000 for organization), large-scale subdivision operations will be financed by Reconstruction Finance Corp. Mortgage Co.

The housing program has a provision for extending FHA's modernization credit plan until next December. This will be confined to its original purpose, however, by eliminating domestic equipment.

Clipper Stories

Why the Pacific flier turned back from Hawaii.

PEOPLE are asking questions about the *China Clipper*. After a successful round trip to Manila, Capt. Edwin C. Musick turned the ship back to the mainland three times, twice when nearly half way across the long jump to Hawaii. Press and radio commentators have been critical, even saying that "Musick goes round and round." However—

The California-Hawaii jump is the longest continuous operation in the world—2,400 miles and 18 hours. For proper safety margin, it calls for engines that can run 24 to 30 hours without stopping. But 80% to 90% of the production experience in airplane engine development has been gained on army and navy planes, where the requirement is high speed and great power for short periods. Transport companies have so far clamored in vain for a commercial-type motor built from the ground up for sustained flying.

Playing It Safe

The *China Clipper* and *Philippine Clipper* gave the supreme test to engines, when each made Manila and back on schedule with a big load. On the *China Clipper's* second take-off for Hawaii, however, she struck a log in the harbor and had to have a hole patched up. Then she started again, but 700 miles from San Francisco, Captain Musick was not satisfied with performance, so he came back and 10 days were spent in extensively rebuilding the engines to reduce fuel consumption. The Line took a loss of several hundred thousand dollars in cancelled mail and passenger traffic to play super-safe.

About a thousand miles out on the third take-off Musick encountered 30- to 40-mile head winds, with word that it was blowing 45 to 50 miles against him at Hawaii. He had practically new engines on which there was only test

flight data on fuel consumption. He calculated that this wind would add six hours more flying, equivalent to 900 more miles. So he turned back again.

The point was that the eyes of the world are on this operation. Let one ship land 100 miles from port, or barely make it, and public confidence would be gone. The misadventure would embarrass trans-Pacific, trans-Atlantic and even Pan-American air travel, and involve mail contracts.

The *China Clipper* carries 12 to 15 passengers on the long jump and twice that number on the shorter flights beyond. Ultimately the program will provide great flying boats with twice this capacity and with greater fuel reserve for the long 2,400-mile stage. (Pan American now has plans on the drafting board for California-Hawaii ships double the size of these two Martins. The *China*, *Philippine* and *Hawaii Clippers* will then operate from Honolulu to Wake, Guam, Manila, and China. The *Hawaii Clipper* is soon to be delivered. Meanwhile, enough Sikorsky Clippers are being built to give Pan American a fleet of nine.

The *China Clipper*, by the way, is in Manila on her second round trip as this is written. Every trip piles up more experience and security, and that is what Pan American is working for.

Needed in War

Germany hoards copper, hence produces more aluminum than U. S. Our production is up 60%.

THERE is a government rule in Germany that copper can only be used in industry when no other metal plentiful in the country or less vital in time of war can be substituted. As a result, Germany turned out more aluminum last year than the United States.

Italy also lacks adequate supplies of copper and has been using aluminum for a number of products formerly made entirely of copper. Only in 1932 did the Italians produce more aluminum than they did last year. The big jump in output came in 1931. Since then, Italy has never produced less than 12,000 metric tons in one year.

Sweden made the largest jump in output last year, from 200 to 1,817 tons, or more than 800%. Other outstanding increases were made by the Soviet Union, Switzerland, and the United States.

Our production increased more than 60%, but was still only a little more than one-half the record production of 1930. New aluminum produced in the United States during 1935 amounted to 119,295,000 lb., valued at \$22,070,000, whereas in 1934 we only produced 74,177,000 lb., valued at \$14,094,000.



*We now get
full production
from our Machine*

thanks to
**LINK-BELT
SILENT CHAIN
DRIVES**

● Link-Belt "Silverstreak" silent chain drive, through its smooth, steady transmission of the power of the motor to the machine, assures a uniformity of product not possible with drives that slip; and its uniformly positive action serves to maintain production at a pre-determined rate.

Because of these inherent characteristics and because it lasts longer, maintains its high initial efficiency throughout its entire life, requires little attention and practically no up-keep expense, the Link-Belt silent chain drive is truly a cost-reducing power transmitter.

★ One of the seven types of Link-Belt positive drives—the other six are illustrated below. Superintendents, plant engineers and others should have our book on the complete line of positive drives. They'll appreciate its value. Send for Binder No. 2109.



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TEN pages of factual and vital statistics on the production of and outlook for gold, silver, copper, lead, zinc, tin and nickel, by leading authorities on these subjects.

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Five pages of World Charts, in color, showing the origin and flow of ten major metals and ores in international trade and—

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AN ASSET NO BALANCE SHEET SHOWS

Standard of Detroit enjoys one asset that we can't put on balance sheets, yet it is among the most important we possess. That is the million persons protected with Standard policies and bonds . . . a million friends! Standard service is designed to make friends. Operating day and night, available throughout the United States and Canada, Standard service is thorough and prompt. • The company has paid over \$145,000,000 in claims. It has earned a nation-wide reputation for quick, equitable adjustment . . . for fair, considerate service. • This dependable 52 year old organization is represented by more than 6500 experienced insurance counselors. Consult the one in your locality about a program that will protect you against loss to home, person and business.

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Breakage • Liability (all forms) • Workmen's Compensation • Fidelity and Surety Bonds (all forms)

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ACCIDENT INSURANCE COMPANY
DETROIT

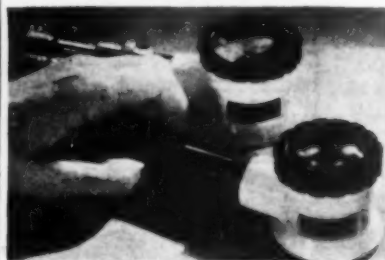
New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE Weaver Mfg. Co. offers a new tester for checking the focusing and direction of automobile headlights. It employs a photoelectric cell which locates the highest intensity beam while the gauge of the tester indicates its angle.

RYMPLECLOTH is a new absorbent unbleached cloth, announced by the Kendall Mills. It is produced by a new process that results in a crinkled, soft, spongy, lintless fabric which is especially suited for dusting, wiping, polishing.

FLASH-O-LENS is a new illuminated magnifying instrument offered by E. W. Pike & Co. for use in examining fabrics, banknotes, paintings, and other objects. It has a double lens mounted in molded



material and giving 5-power magnification in a 2" field. It also has side openings for the use of instruments or a pencil, and is supplied for use with battery or wired current.

A NEW small portable drawing-board, announced by H. E. Twombly, eliminates the use of the T-square by permitting broader use of the triangle, and spring clamps make thumb-tacks unnecessary. It is made of pressed wood, has no grain grooves to cause interference, and is supplied in several convenient sizes, from 8½"x11" up.

ARMSTRONG CORK CO. offers its wholesale distributors a privately published manual on accounting procedure which outlines a practical and simple accounting system that particularly facilitates the proper allocation of income and expense items and the determination of net profits on specific lines of merchandise.

THE Westinghouse Electric & Mfg. Co. offers a square-shaped 40 gal. electric water-heater which has all wiring and water-connections at the bottom and is fully concealed, is insulated with a ¾" jacket of shredded red-wood bark, and has an enamel-like finish so that it fits in with refrigerators, ranges, and other units of a modern kitchen assembly.

Perkins in Charge

Labor secretary will call national conference on silicosis; says it endangers 2,000,000.

SECRETARY OF LABOR PERKINS wants her department to take charge of a government investigation of silicosis, an occupational disease in which normal lung tissue is destroyed by silica dust in the air.

The occurrence of this disease in a West Virginia tunnel project has been emphasized at hearings of Rep. Marcantonio's Labor subcommittee.

Miss Perkins announced last week that she will "soon call a national conference of representatives of industry, labor, and federal and state health labor commissions and safety experts and engineers to map plans for a cooperative campaign to prevent silicosis," which, she says, is a hazard in industries employing 2,000,000 workers.

The announcement followed a meeting of spokesmen of labor, industry, insurance, and government. The coming conference may draft a model state law to prevent occupational diseases.

Rift on Management

The Public Health Service and the Bureau of Mines presented summaries of their knowledge and suggested that they be in charge of any investigation. The Department of Labor expressed opposition to this.

The 16 important trade association executives attending the conference have not taken concerted action, but they incline to the idea that the surgeon-general of the Public Health Service should head the new movement, assisted by representatives of the Bureau of Mines, the Bureau of Standards, and the Bureau of Chemistry and Soils. Cooperation of the Department of Labor would not be opposed, but domination by it is not welcomed.

Silicosis is not the only occupational disease being considered. Other diseases arising from dust, fume, and a variety of industrial causes may come within the scope of the investigators.

Tentative plans contemplate another conference with the trade association spokesmen. The national conference planned by Sec. Perkins may, therefore, not be held for some weeks, possibly not until late spring.

Gay Road Show

Stock Exchange officials cultivate public relations and talk about a magazine to do same job.

FOR 149 of its 150 years of existence the most original of our democratic institutions, which is the New York Stock Exchange, relied on speeches to do its delicate public relations job. Last year,

when Charles Richard Gay of Brooklyn, gardener and amateur photographer, replaced Richard Whitney of Manhattan, clubman and master of fox hounds, as president in an election of unprecedented spirit, the issue, as propounded by E. A. Pierce, largest chain stockbroker of them all, was as to whether the Stock Exchange did not need a press agent.

It got one, and one of the best, in the person of Eugene Lokey, for many depression and pre-depression seasons the all-star reporter in Wall Street of the *New York Times*. It also got something new in the talent of Mr. Gay, who is a capital and newsworthy speaker.

Last week there came a piece of news and a rumor. President Gay departed on tour with a troupe. In simple Pullman lowers and without fanfare he took four eminent and representative other members on a 10-day one-afternoon stand swing through Memphis, Oklahoma City, Tulsa, Dallas, Houston, and New Orleans, not only to make speeches but to hold meetings of local partners and employees of member firms, so that they might learn first hand the latest morals and manners in trading procedure and floor practice as established in the big house.

Accompanying the selected crew was Publicity Committee Chairman Maurice L. Farrell, once, a generation before

Lokey's time, star reporter for the *Wall Street Journal*, now head partner in F. S. Smithers & Co., bankers and brokers. Also Benjamin H. Brinton, Exchange treasurer, himself a specialist, to lecture on specialists' functions; Jacob C. Stone, of Asiel & Co., a bond broker, to instruct in that difficult branch; and Charles H. Blair, of the great odd-lot house of DeCoppet & Doremus, to expound the intricacies of dealing in the infinitely small and particular as against the vast and general.

Just Another Gay Jaunt

As far as President Gay himself was concerned, it was a third long journey, for he had covered the Pacific Coast from Seattle through San Francisco to Los Angeles in a 10-day spell, and had spent a week in Chicago's arch-key territory, aside from overnight trips and stands at Boston and St. Louis.

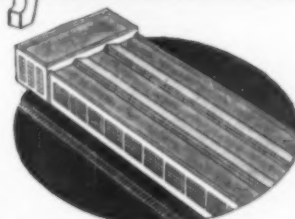
The rumor, from the ubiquitous arts and crafts associated with periodical letters but officially unconfirmed, was of a handsome forthcoming house organ, a monthly probably, illustrated, and written by the best authorities in the trade, for consumption not only by the 1,375 members and their 450,000 literate employees but by all such men and women as may find with the return of what may again be called good times that the regulated doings under the regulated roof of Broad St. have a timely interest.

KOPPERS AND THE Solvents INDUSTRY



Solvents and raw materials supplied by Koppers to the rapidly growing solvents industry go into the manufacture of lacquers, paints and other protective coatings, plastics, adhesives, textile soaps for cleaning and scouring; into lubricating oil refining operations and into chemical processes for the manufacture of special solvents.

KOPPERS PRODUCTS CO.
PITTSBURGH, PENNSYLVANIA



1. Tarmac for Roads 2. Roofing Materials 3. Waterproofing Materials 4. Bituminous Paints 5. Creosote for Wood Preservation 6. Light Oils 7. Tar Acids

Boom Would Float the Treasury

Present tax rates, in a year like 1929, would provide twice the revenue expected in the next fiscal year. Which drives home the importance of stimulating business.

ALL the United States Treasury needs is a business boom. Its financial troubles would evaporate. Fears so generally held of inflation by the printing press route would disappear. The scramble for \$500,000,000 new money to carry the farm relief program and the elections would be unnecessary.

Sec. Morgenthau has lines out that tap enough spots to bring in cash whenever there is cash. If the present taxes and rates had applied in 1929, for instance, the collections would have been large enough to pay all the government expenses in the biggest year of recovery, including the relief money,

and would have left a neat surplus to reduce the government debt.

During the depression the tax system has undergone three revisions that have stretched its reach and increased its suction. The present hodge-podge of tax laws violates most of the axioms of sound taxation, but it conforms to a vital one—it will bring in the money.

A fourth revision, now proposed by the President, would add another five hundred millions or more to the annual money-raising power of the tax system.

To indicate what present rates would raise if they struck a big-income period, *Business Week* has calculated what they

would have raised if they had been on the books to catch taxpayers in the flush of 1929 "prosperity."

The result is an estimated \$9,000,000,000, greater by \$2,305,434,611, or 34%, than the actual historical peak of federal revenues, which was the \$6,694,565,389 collected back in 1920, largely through excess and war profits taxes.



















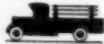













Such a sum would be double the receipts estimated in the budget for the fiscal year starting July 1, 1936, the first year in which the taxes of the 1935 revenue act are in full effect.

It would be 129% greater than actual collections in 1929, when business activity and profits, individual incomes, and estates probed were at the highest levels so far attained.

If revenues in the present fiscal year were as big, a deficit of \$3,200,000,000 would be replaced by a surplus of \$1,400,000,000.

The \$9,000,000,000 estimate does not include revenue from the outlawed

"NUISANCE" TAXES ON BUSINESS

1935	X-YEAR	1935	X-YEAR	1935	X-YEAR
Gasoline		Auto Parts		Toilet Preparations	
					
\$ 161,532,000	\$ 178,000,000	\$ 6,456,000	\$ 12,000,000	\$ 12,644,000	\$ 20,000,000
Lubricating Oil		Electrical Energy		Telephone & Telegraph	
					
\$ 27,800,000	\$ 36,100,000	\$ 32,577,000	\$ 35,200,000	\$ 19,741,000	\$ 27,200,000
Automobiles		Sporting Goods		Furs	
					
\$ 38,003,000	\$ 66,000,000	\$ 7,032,000	\$ 12,000,000	\$ 2,676,000	\$ 6,000,000
Motor Trucks		Radios		Jewelry	
					
\$ 6,158,000	\$ 7,100,000	\$ 3,625,000	\$ 9,000,000	\$ 2,010,000	\$ 4,500,000
Tires and Tubes		Oil Pipelines		Refrigerators	
					
\$ 26,638,000	\$ 38,000,000	\$ 9,480,000	\$ 10,500,000	\$ 6,664,000	\$ 7,600,000
				Cheating Gum, Matches, etc.	
					
				\$ 8,184,000	\$ 9,000,000

Business Week

FOR DURATION—"Temporary" sales taxes enacted in 1932 filled a gap put in regular government revenues by the depression.

Here are 1935 collections, contrasted with those for "X" (1929 or current year, according to which is larger).

TAXES AS IN '36—BUSINESS AS IN '29

Depression taxes have tremendous revenue possibilities. Here's where the totals are headed as business comes back and the Treasury gets into pay dirt.

	Total Federal Revenue—1929 Fiscal Year \$ 3,933,216,237		
	Budgeted Revenue—1937 Fiscal Year \$ 4,559,817,650		
\$ 3,933,216,237	Higher Rates \$ 3,687,360,491	New Taxes \$1,379,423,272	Revenue from 1936 taxes under 1929 conditions \$9,000,000,000

WHERE THE MONEY COMES FROM—THEN, NOW, IF

(Fiscal years ending June 30—000 omitted)

Tax	1929	1935	1937 {Budget}	'36 Taxes Under '29 Conditions
New Rates				
Income—Individual.....	\$1,095,541	\$527,113	\$1,016,000	*\$3,800,000
Corporation.....	1,235,733	572,118	926,600	*1,700,000
Estate and Gift.....	61,897	212,112	293,000	700,000
Stamps:				
Bonds, Deeds, etc.....	17,868	17,935	35,400	58,600
Stock Transfer.....	37,596	15,747	46,800	69,000
Commodity Trading.....	3,334	5,100	3,500	9,000
Theater, etc., Admissions.....	6,083	15,379	19,500	40,300
Total.....	\$2,458,052	\$1,365,504	\$2,340,800	\$6,376,900
New Taxes				
Liquor.....	\$12,777	\$411,022	\$554,800	\$700,000
Capital Stock and Excess Profit.....		98,069	168,000	175,000
Manufacturers' Excise:				
Gasoline.....		161,532	178,000	178,000
Lubricating Oil.....		27,800	29,800	36,100
Automobiles.....		38,003	54,200	66,000
Motor Trucks.....		6,158	6,500	7,100
Auto Parts.....		6,456	7,000	12,000
Tires and Tubes.....		26,638	28,700	38,000
Electrical Energy.....		32,577	35,200	35,200
Refrigerators.....		6,664	7,600	7,600
Radios.....		3,625	5,600	9,000
Toilet Preparations.....		12,644	17,000	20,000
Furs.....		2,676	3,700	6,000
Jewelry.....		2,010	2,900	4,500
Sporting Goods.....		7,032	8,420	12,000
Chewing Gum, Matches, etc.....		8,184	8,750	9,000
Telephone and Telegraph.....		19,741	21,800	27,200
Oil Pipelines.....		9,480	10,500	10,500
Cocoonut, etc., Oil.....		24,457	35,000	35,000
Other New.....		4,089	2,700	4,000
Total.....	\$12,777	\$908,857	\$1,186,170	\$1,392,200
Old Taxes—Old Rates				
Tobacco.....	\$434,444	\$459,179	\$504,044	\$504,000
Playing Cards.....	5,376	4,351	4,700	5,400
Club Dues.....	11,245	5,785	7,000	11,200
Other Old Taxes.....	3,490	4,203	3,000	10,000
Repealed Taxes.....	12,670	25,777		
Total.....	\$467,225	\$499,295	\$518,744	\$530,600
Customs.....	602,263	343,353	354,000	450,000
Miscellaneous.....	392,899	177,933	160,104	250,300
GRAND TOTAL	\$3,933,216	\$3,294,942	\$4,559,818	\$9,000,000

*Calculated on incomes of calendar year 1929

Business Week

PAGE FENCE



PAGE ENGINEERS ANNOUNCE A New LINE POST!

Time marches on—and PAGE engineers again lead the way. Heretofore, fence posts have been adaptations of existing sections. Now PAGE gives you the new wing channel line Post designed especially for fence with many advantages resulting—superior galvanizing, greater strength, a far neater, more serviceable installation.

PAGE is the pioneer in the fence industry. Since no one metal is suitable for all fence conditions, we pioneered in offering fence in a variety of metals—ARMCO Iron, ALCOA Aluminum, Allegheny Stainless Steel, Copper-Bearing Steel, genuine Wrought Iron.

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This Label—Your Guarantee

The PAGE P-12 label identifies PAGE galvanizing which is guaranteed to withstand a minimum of 12 one-minute dips by the Prece Test. PAGE P-12 galvanizing applies not only to fence fabric but also to posts, top rail and fittings as well — your guarantee of maximum resistance to rust.

America's first wire fence—since 1883

AMAZING!
How this Simple
Plan **BUILT**
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"ONE of 37 plans, used by over 5000 leading firms! Imprinted AUTOPOINT pencils now carry my story and tell it daily to my prospects. They can't forget me! Write AUTOPOINT Company for their book '37 Sales Plans.' It's free. AUTOPOINT COMPANY, Dept. BW-3, 1861 Foster Avenue, Chicago, Ill."

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processing taxes, nor those levied under the social security, Guffey coal, or railroad pension acts, for which there will be corresponding new expenditures.

1929 was used merely because it marked the high tide of the past and contrasts most sharply with the restricted business and income volumes on which the government has relied for revenue in recent years.

But Won't Be the Same

The conditions of 1929 won't be duplicated. Even with business back to and beyond 1929, the situation with regard to taxation will be different, particularly in respect to individual incomes, which are the most important factor.

Jumbo stock-market profits are not expected to recur, for one thing, and taxpayers would be even more hesitant to take profits under the harsher capital-gain provisions of the present law.

Moreover, the temporary "nuisance" taxes on business, enacted in 1932 for two years and twice extended, would presumably be allowed to expire if other revenue sources came back stronger.

The giant money-raisers are permanent, however. President Roosevelt this week suggested that corporation income-taxes be eliminated, but his suggestion would merely alter the incidence of the tax. To replace the estimated \$1,700,000,000 from corporation incomes, and some \$175,000,000 from capital stock and excess profit taxes, all of which would be repealed, individual income-taxes would go up enough to provide all that money—\$1,875,000,000—and some \$600,000,000 more.

That is because all incomes of corporations, whether or not distributed, would be subject to normal and surtax rates for individuals or their equivalent.

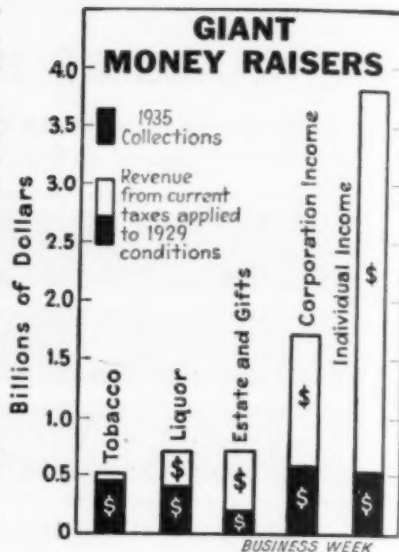
Here is why the current tax-burden is so much heavier than in 1929:

Individual Income Taxes—More people are taxed more. Normal taxes are a flat 4% and reach down to \$1,000 incomes for single persons, \$2,500 for married persons. In 1929 they scaled up from 1½% to 5% after personal exemptions of \$1,500 and \$3,500. (A considerate Congress and a President who was trying to stem the depression in 1930 cut normal rates actually paid on the lush 1929 incomes to ½% on the first \$4,000, 2% on the next \$4,000, and 4% on the rest.)

A credit of 25% of the tax allowed in 1929 on earned income up to \$30,000 is replaced by an allowable deduction of 10% of earned income up to \$14,000.

Surtaxes start now at 4% on \$4,000, and rise to 75% on income over \$5,000,000, whereas the 1929 rates ranged from 1% on \$10,000 up to 20% on all over \$100,000.

In 1929 half the profits of \$4,684,560,175 from the sale of capital assets was taxed only 12½%, and full deduc-



tions or tax credits were allowed for losses. Under the present law, capital gains are taxed in the same way as other income, and losses can only be offset against gains.

Corporation Income Taxes—Corporations paid 12% in 1929 (11% in 1930 on 1929 incomes); today the rate is 15% for all but the smallest firms.

Estate Taxes—A second layer has been added to death taxes since 1929, and there are accompanying gift taxes to catch premature distributions of estates.

The old law reached down to \$100,000 estates with a scale of rates from 1% to 20%, the maximum applying to all over \$10,100,000. The present law starts on estates above \$50,000, and two rate increases have brought the tax to a maximum of 70% for the bracket over \$50,000,000.

The companion revisions of the gift taxes only went into effect in January, 1936, and that postponement brought a flood of gifts from donors beating the deadline. Hereafter there is little advantage in giving an estate away ahead of time.

Liquor Taxes—This potential source of \$700,000,000 or more annual revenue was practically dead in the prohibition year 1929. Hence no exact figure could be given in the table on page 39. To set an estimate the present \$500,000,000 annual rate of collections was stepped up according to a conservative appraisal of the total liquor consumption in a year when the public buying-power is bigger than it is now.

Stamp Taxes—The rates have been doubled since the days of big stock and bond trading, new corporation financing, and real estate sales. They have been tripled in the case of commodity futures trading. Only tobacco and playing-card taxes remain at the old rates.

Admissions—In 1929 only the \$3 seats were taxable, excluding practically

all movies. Now the tax catches everything above 41¢. The only thing with a lower tax than in 1929 is a prizefight ticket costing \$25 or more. This is taxed 10% along with the rest, instead of the former 25% penalty rate.

Manufacturers' Excise and the other new business taxes were life-savers to the Treasury when the depression curtailed income-tax receipts, but their importance is already shrinking. Business volumes such as we had in 1929 would only increase the 1935 revenues from these sources 30%. One reason, of course, is that among the things selected for taxation were gasoline, electric power, mechanical refrigerators, and others that were largely depression-proof. So prosperity won't pull up their sales enough to produce much more revenue.

Cosmetic Rebuff

Federal court refuses to enjoin Maine act requiring registration. Industry alarmed.

COSMETIC manufacturers were jarred last week when a three-judge federal court, in Portland, Me., refused to grant a temporary injunction against an act requiring that all cosmetics offered for sale within the state after Jan. 1, 1936, be registered with the Department of Health and Welfare.

By the effective date some 2,500 preparations had been registered (at 50¢ each), but enforcement of the act was held up while a suit brought by Bourjois, Inc., was pending.

It is not so much the fear of regulation in Maine which has the industry worried as the threat of the precedent which will be established if the act is not quashed.

Almost Fool-Proof

State and city legislators, as in New York City, for example, have been contemplating possibilities in the registration technique with a portentous curiosity. It seems to offer an almost fool-proof method for the control of products now able to circumvent state and federal food and drug laws; it could provide an indirect lever for regulating advertising; and it is not without appealing revenue possibilities.

That's why cosmetic men want a prompt and clear-cut ruling on the constitutionality of the Maine act. The court did not give it. To the argument that the act interfered with interstate commerce, and violated the due-process clause of the Constitution, the court replied that such results had not yet been shown, because the act was not really operative, but that the complainant could make another plea for an injunction later on, if it could be shown that enforcement of the law infringed on either constitutional right.

Modernizing

**won't solve everything
but it will go far toward**

- reaching and maintaining a sound and stable profit position*
- paying increased taxes by reducing costs*
- helping to balance, successfully, increased wages and shorter hours*

We know, because in 1935 we helped more than 350 companies attain these or other ends they desired—by helping them modernize wisely, with improved turret lathes. We learned a great deal in those 350 situations. That experience is at your free disposal if you will write

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Aetna Life Leads in number of group policies in force!



All Forms of Group Insurance Life • Accident Sickness • Pension

Through our trained Group Representatives we are equipped to analyze your employees' social problems and recommend the proper plan for your organization.

AETNA LIFE INSURANCE COMPANY
Founded in 1850 Hartford, Connecticut
COAST-TO-COAST CLAIM SERVICE

Staying Ignorant

Roosevelt against unemployment census. It would give fuzzy picture and be bad politics.

KNOWLEDGE of the enemy is important to any general; yet the federal government, in its long war on unemployment, has operated without definite information of the number of unemployed persons and their age, sex, physical fitness, and previous industrial history. This ignorance has caused much inefficiency.

Such is the reasoning behind the move for a census of unemployment.

But bullet-proof figures cannot easily be obtained, and any other kind would subject the Administration to a lot of fault-finding. Therefore it is fairly safe to predict that President Roosevelt will allow no census until after November, and possibly won't allow one at all.

For should the number of unemployed prove high, it would indicate terrific expenditures without compensating gain; should it prove low, the mounting pressure for cutting down on "emer-

gency" agencies would grow intense. The root of the whole difficulty is the impossibility of defining an unemployed person simply enough for a census.

Consider the cases of Pop Smith, 60 and slowing down, yet anxious for work; Junior, 17, unwillingly in school because he can't find a job; John, part-time worker who averages \$250 a year income; Mary, wife and mother, who now supports the family but would quit if the old man could get a job.

What would each one do if offered (a) a relief job, or (b) a good job? Are they employed or unemployed?

Before the regular census of 1930, which included an unemployment count, a committee of big business men tried to formulate a standard, with the result that the census report on unemployment contained seven classes of persons in various degrees of unemployment, all overlapping to a discouraging extent. Under present conditions the picture would be even more fuzzy.

Contest Caution

Those who advertise contests must promise to advertise winners.

"ADVERTISING contests are phonics." That, reasons *The American Weekly*, Sunday feature supplement in 17 Hearst newspapers, is the all-too-common reaction of the man who never won an advertising contest and never knew anyone who did.

Hence, last week over the signature of its advertising director, straight-thinking Mortimer Berkowitz, *The American Weekly* sent to leading advertising agencies throughout the country notice that it would no longer accept advertising contest copy unless "the advertiser agrees that at the conclusion of the contest he will announce in *The American Weekly* the names of the winners"—at least the principal ones.

This is reported to be the first time that any national magazine has put such an order into effect, but it is assumed that other media will take similar action. The volume of contest copy in the past few years has set a record.

Onions Buy Legation

Egyptians will use proceeds from onion sales now blocked in Germany to buy legation in Berlin.

BERLIN (*Business Week Bureau*)—The Germans are particularly fond of Egyptian onions. For years nearly one-third of the crop has been sold in Germany, and the price was more or less determined by this business.

German officials, lacking adequate foreign exchange to buy many of the necessities of life, much less the little luxuries to which the public has been

350 successful sales letters!

Do you need a letter that will "break the ice" for your salesmen?—to solicit new charge accounts?—that will get immediate business on a one-shot appeal? You can get such sales letters and many more—letters that have worked for firms in many different lines—all in this book, with comments on their special features, costs, pulling percentages, etc.

Just Published Tested Sales Letters

By HERBERT H. PALMER
Associate Professor of Business English and Advertising,
Syracuse University

530 pages, 6x9, \$5.00

THIS book gives 350 actual letters, classified according to purpose, and discusses their features, how they worked, etc. It emphasizes homely, practical letters that work; it minimizes theory. It shows how these tested letters may be used as guides by executives, copy-writers and sales correspondents in other lines of business. One idea, one letter, from this treasury of actual sales letters and mailing campaigns may be worth thousands of dollars to you or your firm.

You will want to look up—

- the letter that has sold a million dollars' worth of merchandise
- the letter that produced 25,000 four-dollar orders
- the letter that sold 9 automobiles out of a mailing list of 400
- the three letters that revived 43% of a store's inactive accounts
- the letter that pulled 29% inquiries
- etc., etc.

SEE THIS BOOK 10 DAYS ON APPROVAL—SEND THIS MCGRAW-HILL COUPON

McGraw-Hill Book Company, Inc., 330 W. 42nd St., New York City
Send me Palmer's Tested Sales Letters for 10 days' examination on approval. In 10 days I will send \$5.00, plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

Name

Address Position

City and State Company BW-3-7-36

(Books sent on approval in U. S. and Canada only.)



accustomed, have decreed that foreign exchange will be provided only for those imports considered "essential." Egyptian onions are not on that list.

Before this word reached Egypt, growers had piled up shipments in Hamburg warehouses worth \$630,000, and there was no way of getting the money out of Germany. Finally the Egyptian government conceived a plan of utilizing a part of this blocked balance to buy a building in Berlin which could be converted into a legation. It liquidates only \$100,000 of the debt, but it has created good will in Berlin.

Now Berlin would like to see funds accumulating from the sale of American lard or gasoline in Germany spent to renovate the Blücher Palace which the American government bought in 1932 for official use but has not yet occupied.

The Treaties Help

Reciprocal agreements prove value to American business.

BUSINESS has vigorously protested nearly every important move the Roosevelt Administration has made in the past year. Among the few exceptions is the reciprocal trade program.

The treaty with Canada covered the largest volume of business, but it did not take effect until Jan. 1. Washington officials are just now analyzing the first month's trade under the treaty, and they declare our exports are up nearly 15%, while 14% more Canadian products were purchased in this country.

Our Southern fruit growers, and the manufacturers of machinery and electrical equipment in the Eastern and North Central states, have benefited most from the increased business with Canada. On the other side of the line, Canadian distillers, the lumber crowd in British Columbia, and potato farmers have made the largest sales gains.

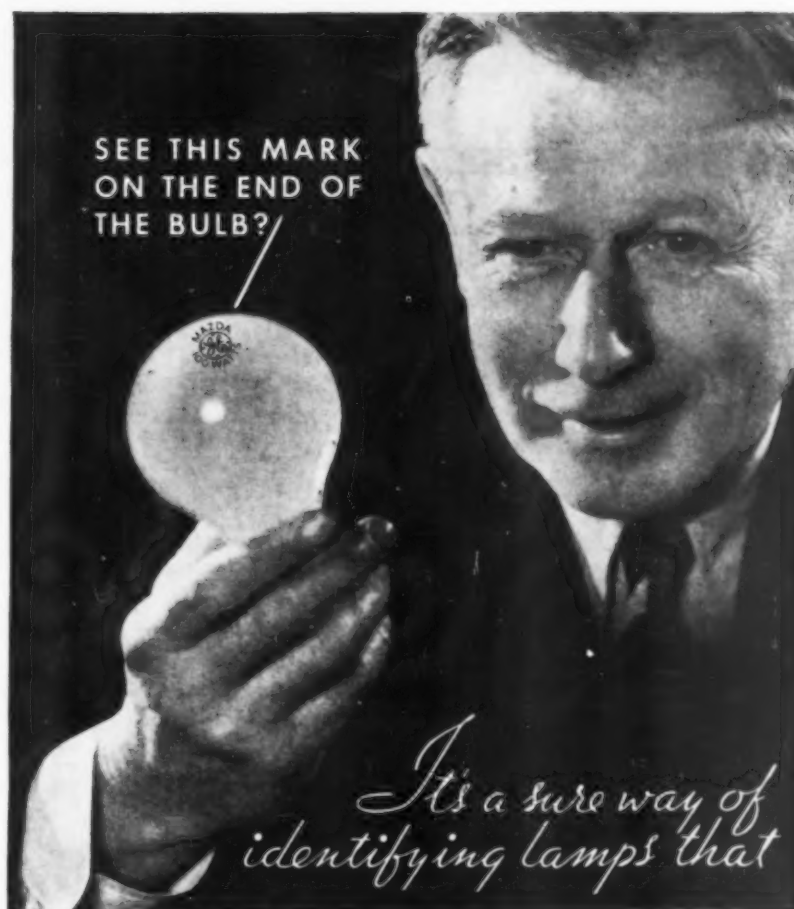
Trade gains with the four countries with which the new agreements were in effect last year are summarized:

Belgium: During the first eight months the agreement was in effect, compared with the same months in 1934, American exports increased nearly 31%; imports increased 60%.

Haiti: This new trade agreement was in effect only seven months last year, but during that period, exports to Haiti increased more than 17%, imports 6%.


Sweden: Business was affected during the last five months of 1935 by the new trade treaty with Sweden. In that time American exports to Sweden increased 16%, and imports 34%.

Cuba: The Cuban treaty has been in effect since September, 1934. During the first year our exports to Cuba increased nearly 60%. In 1935 they were 140% greater than in 1933, the last full year before the treaty.



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Available in 60, 30, 15 and 7½ watt sizes and is marked like this G E



THEY LOVE A PARADE—Japanese aren't exactly a happy-go-lucky race, but they do turn out for street carnivals, parades and celebrations of all kinds. Grimly in earnest about their place in the sun, burdened by taxes and unhappily struggling under terrific economic burdens, the common people still can work up a grin and enjoy a friendly scuffle for a chance to be flag-bearers.

A Huge Japanese Business

South Manchuria Railway, with 70 subsidiary companies, does a pioneer job. Japanese public's investment would be jeopardized by a Fascist dictatorship.

WHAT the Southern Pacific Co. did for our Southwest forty years ago, and the Canadian Pacific Railway did for Canada, the South Manchuria Railway Co. is doing for Japan in newly acquired territory on the Asiatic mainland.

Though half the shares of the South Manchuria are owned by the Japanese public, the control of the company is in the hands of the government, through its power to appoint the officials.

This accounts for the immediate concern of Japanese business leaders over the outcome of the latest government crisis in Tokyo. The future of Japan's only great investment abroad is at stake. If a Fascist dictatorship develops, or even if the army continues its headstrong policy of the past five years, the public is going to refuse to invest.

Ramifications

The South Manchuria management is no longer managing a mere 700 miles of railroad in southern Manchuria. Long before the Manchurian incident of 1931, it had added coal mines, steel works, repair shops, important shipping services out of Dairen, nearly 200 warehouses along the right-of-way, and a chain of nine small hotels.

Since the 1931 incident, there has been added to its responsibilities the direction of an additional 4,146 miles

of railroad (compared with 13,000 miles controlled by the Southern Pacific), six steam navigation services operating regular schedules over 3,345 miles of rivers in central and eastern Manchukuo, motor bus lines running over 1,656 miles of scheduled routes, and 15 other subsidiary companies in various lines—most important being the Showa Steel works and Fushun Cement Co.

Other subsidiaries which have acquired a new importance with the expansion of Japanese economic domination on the mainland are the International Express Co. (a Manchurian equivalent of the American Express Co.); the Dairen Steamship Co., operating regular services to China Sea ports, Shanghai, and Osaka; the South Manchuria Electric Co., which supplies Dairen with light and power; the Dairen Ceramic Co.; and the South Manchuria Gas Co.

Among the 70 subsidiaries of the South Manchuria, besides a hospital and library service, there are agricultural and livestock experiment stations, water works for several cities, and a newspaper.

The newest subdivision of the great parent company is the North China Development Co., which has recently opened offices in Tientsin and Shanghai

and has an army of agricultural, industrial, and financial investigators scouring the five provinces of North China which Japan intends to "supervise," if not to control completely.

All Japan is proud of the South Manchuria. It has offered an outlet for investment funds, absorbed many of the graduates of the country's engineering and technical schools, and provided an outlet for a fair volume of Japanese machine manufactures and a source of important food products.

But most of all, it has enhanced the prestige of Japan on the Asiatic mainland. Its trains are models of efficiency.

Public Is Anxious

Since the Manchuria incident in 1931, the public has anxiously watched the vast expenditures which the army forced the company to make in rushing strategic railroad lines (more than 1,000 miles of them) and highways. Many of these railroad lines open up new territories which are known to have important mineral or lumber resources, but it will be a long time before they can possibly pay for themselves.

For this reason, bankers in Tokyo advised South Manchuria officials that it would be difficult to float more bonds on the market this year. And government bonds to meet the heavy deficits which have been a characteristic of the Japanese budgets since 1932 have not been absorbed readily in Japan for more than six months.

To get around this difficulty of late, the South Manchuria has offered shares of specific industrial subsidiaries in which there is greater reason to expect a quick profit. These were successful.

Foreigners skeptically watching Japan's empire-building were quick to note this public reaction—a welcome for sound shares, a rejection of risky ones. The company is in no difficulty, but a Fascist dictatorship could drastically alter its future.

Time to Consolidate

The "liberals" against whom the Japanese militarists revolted in Tokyo two weeks ago represent much more than the business element in Japan. They are the people who believe it is again time for democratic government, that gains in Manchukuo should be consolidated before the country bites off another slice of China.

They are the people who realize that the soldiers and the equipment which Moscow is prepared to put in the field today to oppose any aggression along Soviet borders are much stronger than the Czar's forces were in 1905.

That these people represent majority opinion in Japan is evident from their vote in the election less than a month ago. They view with concern the militarists' threat, not only to their huge foreign investment in the South Manchuria and its 70 subsidiaries, but to their business at home.

Business Abroad

Britain, demanding that Mussolini come to terms promptly, pushes rearmament. Germany expects special armament tax. Brazil prepares to thaw United States credits. Mexico antagonistic to foreign-controlled business.

LONDON is putting the screws on Italy at Geneva this week with some confidence that even France will cooperate in bringing Mussolini to terms. No oil sanctions are likely to be applied for it is generally realized that (1) they could not be even modestly effective without United States cooperation and (2) that the stage has been set to help Mussolini abandon his Ethiopian adventure without too much loss of face. What his old allies have promised him as compensation this time is not known, but, however small, it is probably more than he could expect to get from any deal with Berlin.

Germany

Italo-German alliance rumors are premature. Germans are likely soon to have new "armament" taxes similar to 1913 levy.

BERLIN (Cable) — Foreign rumors of an Italo-German alliance are premature. Under the present circumstances, Italy is worthless as an ally, while an alliance is bound to cause intense resentment in England and France, with whom, despite the Soviet pact, an understanding is sincerely and actively sought.

More Exhibitors at Leipzig

The Leipzig Trade Fair opened this week with 8,163 firms exhibiting, of which 472 are foreigners. Orders placed are running ahead of last year, but the net returns are far from satisfactory.

The problem of financing large government orders is still a cause of considerable worry both to Dr. Schacht and Schwerin-Krosigk, the Minister of Finance. In spite of the highly satisfactory growth of the Reich's tax revenue by 3 billions marks per annum since 1932 and the smooth functioning of

short-time financing in the shape of Treasury Notes and the Golddiskontbank's "Solawechsel," the yield from both sources is manifestly lagging behind current requirements. The report of the Deutsche Girozentrale (central bank of German savings institutions) for 1935 states unequivocally that its members were able to take over 1 billion marks' worth of government bonds last year only because of the relaxation of liquidity regulations. The net increase of savings deposits during the year was only slightly over 500 million marks.

In this predicament the Minister of Finance is reluctantly considering the question of tax increases. To raise taxes on consumption goods appears impossible. Purchasing power has already been severely "taxed" by price increases, and higher rates are most likely to result in smaller yield. No wonder, therefore, that the idea of a general "armament levy" on capital and large incomes is being aired again.

Painfully Similar to 1913

In this respect, Germany possesses considerable experience. Ominously enough, such a levy, or "Wehrbeitrag," was passed by the Reichstag in 1913—on the eve of the World War. Its purpose was to provide 966 million marks for the government's extraordinary armament program. According to present standards this sum seems trifling. Equally

trifling are the tax rates, which were considered "confiscatory" in those happy and prosperous days. The capital levy was graduated from 1% to 1.27%, and was payable in three years (1914 to 1916). At present, rumors suggest a tax of 3% to 5% on capital. Its mobilization at a time when liquid means of industrial corporations have already been skimmed by Dr. Schacht's export subsidy levy and similar voluntary contributions is no easy problem.

France

Paris and Moscow will cooperate to keep Germany at home. Bata cannot expand in France.

PARIS (Wireless)—Grim or excited, depending on their political coloration, French deputies last week listened to a former Air Minister's report on the Soviet Union's effectiveness as an ally in case trouble develops with Germany:

"The Soviet Union's aviation force is the strongest in the world today, numbering more than 3,000 planes of the first line. In maneuvers in Russia recently, I saw an entire brigade of Russian infantry, with artillery, tanks and machine guns, transported by 97 planes."

France Is Worried

These reassuring facts, plus a growing fear that Britain may become involved in trouble in the Far East where British interests are enormous, and a new conviction that Germany is going to cause trouble in Europe in the near future, caused the French Chamber last week to support the Franco-Soviet pact.

It is a tremendous decision for both Russia and France. In Moscow, there is satisfaction that more troops can now be spared for a conflict in the Far East if necessary. In Paris, there is greater confidence that France will not be left alone to hold Germany to treaty obligations.

French shoe manufacturers have won



CHARCOAL GAS FOR FUEL—Everybody knows that Germany is doing her best to find substitutes for gasoline; not so well

publicized is the French search along the same lines. This streamlined, on a regular run from Paris, is driven by charcoal gas.

their campaign to keep Bata from extending its shoe factories in France. The ingenious Czechoslovakian company has made considerable progress in the French market, operating through a local subsidiary, "Les Chaussures Pillot." Recently plans were announced for a huge extension of operations. The domestic producers protested, created a lobby, and settled down in Paris to force legislation which would preserve the market for themselves.

Bata Can't Expand

This week the Chamber passed a bill prohibiting the creation or extension of shoe factories or shops in France. There is no doubt that such a system of fixing the producing power of the country for a given kind of article is entirely against the interests of the consumer, and simply protects those industries which are unable to adapt themselves to progressive producing methods. The excuse for such uneconomical methods is that due to the serious crisis which has weighed especially heavily on the French shoe industry there is serious unemployment in such industrial centers as Limoges. The French government, like all governments, is simply taking what measures it can to try to reduce unemployment.

Telephones for Wine

M. Mandel, French minister of Postes, Telephones & Telegraphs, is also deputy of the Bordeaux district. In a recent visit to his electoral district, the minister was impressed by the serious conditions in the wine trade, due to the enormous stocks which had accumulated over the last few years. He decided immediately to offer to purchase two million francs' worth of German electrical equipment for his ministry, if Germany in turn would buy an equivalent amount of Bordeaux wines. The Germans accepted.

According to plans of the Paris Stock Exchange directorate to admit American stocks for listing, it is reported that duPont and Kennecott shares will be listed soon.

Great Britain

Public expects tax cuts in spite of large rearmament expenditures. Profits continue to mount.

LONDON (Cable)—The business tone is good, but judging by provincial bank clearings there has been little increase in the volume of trade during February. Company reports for 1935 continue to show good profits. Following the good Selfridge report last week, Whitley this week announced profits of £135,900, an increase of £7,000.

In spite of the mounting expenditures for rearmament, the public still expects tax cuts because of the budget surplus this year. No official announce-

ment has yet been made but the public is hoping for an increase in the exemptions on income taxes, and a cut in the whisky duty.

Both business and the government are obsessed with the necessity for rearmament now. Airplane shares and arms stocks are booming; spending is getting under way.

The strike at the DeHaviland aircraft works, due to the refusal of the unions to allow the company to employ a lot of non-union apprentices, is a warning to both the government and business that labor will not be influenced by the urgency of speeding the program into accepting terms which they think unfair.

Canada

Major Douglas deserts Alberta's social credit government. Federal unemployment camps in Dominion abandoned. Canada will have flat steel plant on the Soo.

OTTAWA—Parliament is battling over the United States-Canadian trade agreement which became effective Jan. 1. The present government's political opponents claim that it is ruining the country, and cite January trade figures to prove their point.

Canada's total imports increased \$3,000,000 in January—the first month the new agreement was in effect—and practically the entire increase was in imports from the United States. Total exports rose \$10,000,000, but only \$3,000,000 of this increase went to the United States. In contrast, the British took nearly \$5,000,000 more of Canadian products.

Opponents want intermediate tariff schedules (the rates now charged on United States imports) increased so that Dominion markets will be saved for those countries willing to increase their purchases of Canadian goods. Opinion here now is that the Mackenzie King government will be able to win support for the treaty.

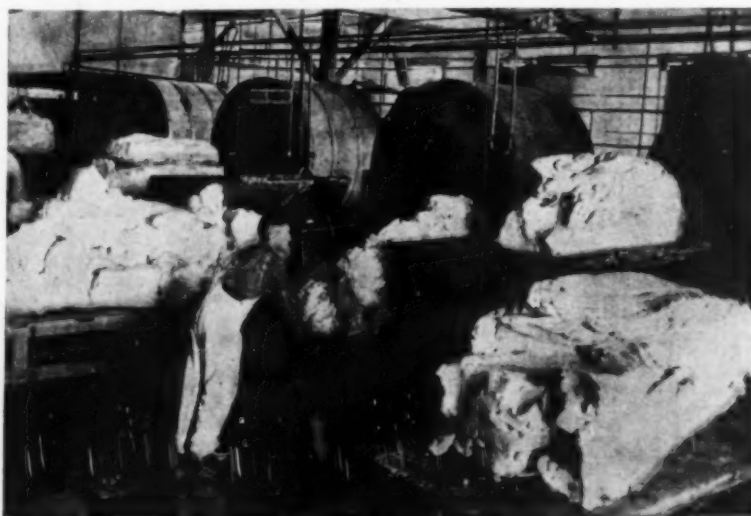
Social Credit Doesn't Work

Social credit is making little progress in Alberta. Major C. H. Douglas, for years the world's foremost advocate of social credit, has cabled from London that he will no longer serve as an economic adviser to the Alberta government. In spite of campaign promises, Alberta's social credit government, though it has been in office for six months, has made no move to pay the \$25-a-month dividend to its citizens. The premier blames this to the difficulty of meeting obligations inherited from previous governments.

Latest plan in this prairie province is to ask Ottawa for assistance in refunding the entire \$158,000,000 of accumulated debt. It hopes to refund at 2½%, which will mean an annual saving to the treasury of \$2,250,000. This would take care of a deficit for the fiscal year now commencing. Increased taxation of \$3,250,000, including a new social service tax, and other additional imports, would still leave a deficit of \$2,500,000.

Railroads Employ Workers

Unemployment camps which now take care of 20,000 single, homeless men are being discontinued as a part of the government's revamped relief program. Canadian railways are to absorb 10,000 of these workers in a deferred maintenance program. While they remain in camp the men will receive \$15



FOR CHINA, ENGLAND, EVERYWHERE—New Zealand ships butter to all parts of the world—some of it, in tins, even goes to China. England buys a lot of it, Canada has been a large customer. This scene shows the removal of butter from the huge churns in a dairy plant at Maikato.



THEY AREN'T SCARED—Comrades Voroshilov and Stalin keep a close check on war possibilities both east and west, drive ahead with their plans for a highly-mobile army. Russia has gone far

in solving the problems of troop transport; whole battalions have been moved by air, and tractor-equipped trucks may be called into use if the need for speedy travel occurs in Siberia.

a month instead of 20¢ a day. A bank survey shows that about one-half of the depression peak of jobless workers have been reabsorbed by industry. Wage earners now employed number 1,746,000, compared with a depression low of 1,514,000 in 1933, and a boom high of 2,000,000 in 1929.

Recovery trend in the Dominion is reflected in the 200% increase in net profits of the Canadian Pacific Railway for January, compared with January, 1935. This year's profit of \$612,000 compares with \$204,000 a year ago.

Price Brothers, of Quebec, victim of collapse in the newsprint industry, is being bought up for \$20,000,000 by a new Canadian company, and reorganized.

Recovery is bringing expansion in Canadian industry. Algoma Steel Corp. will establish Canada's first flat steel plant at Sault Ste. Marie. Production here of sheet steel, tinplate, and kindred products is expected to make of the Soo "the Pittsburgh of Canada."

Gain of 45% in Ontario's 1935 tobacco crop over last year, with increased prices due to the Stevens price spread probe, means prosperity in this industry.

Latin America

Payments from Brazil are delayed. Settlement with Panama furthers good neighbor policy. Mexico will exploit south bank of Rio Grande.

The thawing agreement which creditors in the United States have negotiated with Brazilian debtors will probably not be in operation for several months. Details have been agreed upon, but more than a month will be required for creditors in this country to fill out and file with the National Foreign Trade Council in New York the necessary application for settlement. After this information is completely assembled, it will take some time to see how far the

dollar exchange provided by Brazil for immediate settlement of small accounts will stretch. Theoretically, all debts of \$25,000 or less will be paid by Brazil at once, and for all debts larger than this notes of the Bank of Brazil, payable in 56 equal instalments beginning July 1, will be offered by the debtors.

Panama Wins a Point

The Administration's good neighbor policy in Latin America was advanced another step this week in the settlement with Panama of several controversial problems. Annuity payments which the United States promised to pay Panama in gold, and which have been offered only in depreciated dollars for the last three years, will once more be paid on the old basis. At the same time, the United States has renounced its right of intervention in Panama, its guarantee of Panamanian independence, and its right to acquire land by eminent domain in the isthmian republic. Sole retained right is special defense privileges in connection with the canal.

Continued labor troubles in Mexico, with the government threatening expropriation of management if it fails to meet the demands of any labor board decision, is frightening foreign capital which has begun again to take an interest in Mexican investment.

Constructive developments are also reported from Mexico. The government is now making preparations for reclamation of a vast region on the south bank of the Rio Grande and opposite a flourishing region in the United States. Irrigation projects will be developed and an effort made to make the lands on the Mexican side of the river compare in agricultural productivity with those in southeastern Texas.

Farmers in western Mexico are being supplied with seed and technical advice for the cultivation of soy beans, and industrial interests at Guadalajara are being encouraged to establish a plant for the extraction of soy bean oil.

Soviet Union

Moscow uncovers vast new iron, coal, and non-ferrous metal reserves. Railroads make new gains.

Moscow (Cable)—Geological surveys just completed by the Soviet Academy of Sciences claim that the Soviet Union has coal resources of 1½ trillion tons, or 15% of the world's total. Iron ore reserves are estimated at 10½ trillion tons.

[Gossip from Tokyo this week indicates that Japan is worried by the recent revelation of huge coal and iron reserves just north of Manchukuo in Siberia, and that both the army and industry would like to get control of this area as a protection to Japan's industrial future.]

Russia's lead and zinc resources are eight times, and copper resources 27 times, more than had been previously estimated. Extremely rich copper, lead, non-ferrous, and rare metal deposits have been discovered in central Asia, which means that they are comparatively safe from the two frontiers now threatened with attack.

Russia Produces More

Industrial output is making new gains. General output is 34% ahead of January a year ago. Steel production jumped 51%, rolled steel 65%, pig iron 31%, and refined oil 35%. Coal production is lagging, and the production of agricultural machinery, though 50% greater than a year ago, is behind schedule. Managers of industries which failed to meet January quotas are being held responsible by Moscow officials.

The railroads, after lagging for years, continue last year's striking gains. Average carloadings in January, despite the bitter weather, were 5% ahead of the Plan. In January, 1935, only 50,130 cars were loaded per day. This year, the daily average has jumped to 76,700.

Chains Lose Twice

Supreme Court sustains tax on a chain's authorized dealers. Another loss in Florida.

ANTI-CHAIN store forces mark up important victories in two sectors.

This week the United States Supreme Court upheld the West Virginia chain store tax on gasoline service stations operated under authorized dealers' agency agreement; the validity of the law as applied to directly owned stations had already been established.

A few days earlier the Florida Supreme Court upheld for a second time the 1935 state tax on corporate food chains and on multiple-unit groups in other lines.

The decision on gasoline outlets is especially significant both for oil marketers and for states seeking a tax differential for small retailers. The West Virginia act imposed a graduated license on mercantile establishments "owned, operated, maintained and/or controlled" by the same person or firm. The Gulf Refining Co. and the Ashland Refining Co. appealed.

The court decided that Gulf's agreement with its 568 filling stations (including the lease by the company of the dealer's premises, and the license to the dealer for the sale of Gulf products) constituted control "within the meaning of the statute." The effect of the decision was the same on the 82 outlets of Ashland Refining.

The appeal from the Florida tax was founded on the contention that the legislature adopted the familiar device of stopping the clock to continue the session beyond its constitutional limit of 60 days.

Too Much Cheese

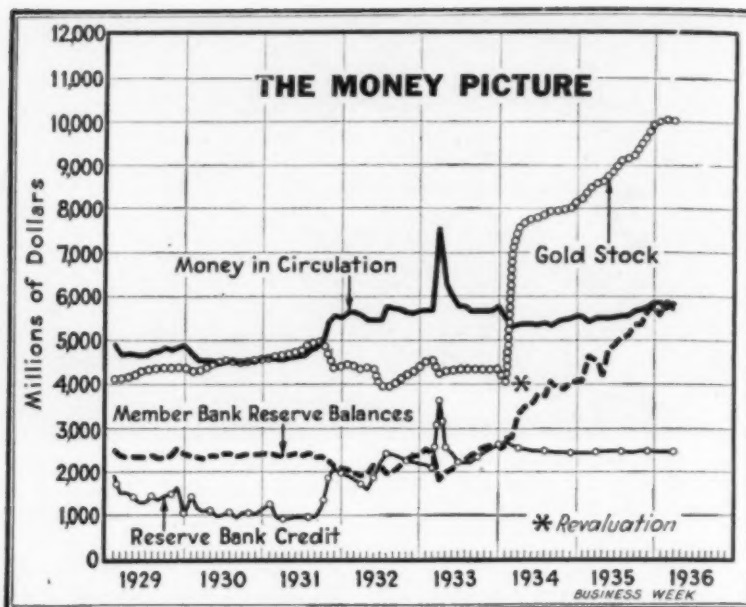
Record production sends prices down, while butter quotations start upward.

CHEESE production and holdings are going up and the apprehension of the trade has grown by corresponding percentages.

The January output scored a new high of 29,730,000 lb. This was 34% over the previous year and 30% over the four-year average.

Butter production in January was only 1.8% over last year's small output. The explanation is that cheese factories have been paying dairymen better than creameries. Cold-stored American cheese stood at 78,178,000 lb. on Feb. 1, as against 71,007,000 lb. a year ago and a five-year average of 60,578,000 lb.

However, a recent rise in butter prices and lower prices for cheese afforded hope that a balance will be re-established.



Bank Stock Goes Home

Control of \$271,000,000 American Trust Co., third largest bank in California, returns to Coast after a dizzy Odyssey across the country.

AFTER several years of cross-country travel, control of the American Trust Co., California's third largest bank, has gone home to roost.

This week two-thirds of the common stock and all of a new convertible preferred stock issue were offered to Pacific Coasters by an underwriting group, bringing the prodigal stock ownership back from the wicked East.

The actual management of the \$271,000,000 bank which serves 30 Coast communities has never been out of local hands, but the changes in stock ownership during the past seven years have been breath-taking.

In 1929, American Trust had 100,000 shares of common stock. In 1934, capitalization was reduced to 75,000 shares of common, and 60,000 shares of preferred were created and sold to the Reconstruction Finance Corp. But before 1934 the common stock (except for directors' shares and one other share) had started to circulate.

The common stock was owned by the American Co. Imbedded in this vessel, it went first to Pacific American Associates, Inc., which in turn went to the Goldman Sachs Trading Corp., which became Pacific Eastern Corp., which was acquired by the Atlas Corp.

Result—Floyd Odum's Atlas Corp. (Jersey City, N. J.) found tucked away in its portfolio practically the entire capitalization of a bank on the opposite side of a reasonably wide country. It

found, furthermore, that ownership of all the stock meant that no one else was buying and selling it and establishing a market. Meanwhile the Coast yearned for a return of its bank's control.

The twain met, and made a deal. Pacific Coast underwriters, headed by Blyth & Co., got two-thirds of the common. Atlas kept one-third (still owned by the American Co.).

Will Buy Back From RFC

The common was split five for one and the par reduced, the underwriters promptly offering it to the local investors along with a new convertible preferred. The proceeds of the latter will be used to buy back the original preferred from the RFC for retirement.

Atlas got, according to Odum, a "low price" for two-thirds of the common, but it gets an open market on the remainder of its shares. The Coast got control of the bank back home.

Jesse Jones of the RFC gets his money back out of the preferred retirement, and says he is pleased. The underwriters got an \$18,000,000 deal to work on. The bank, which increased its resources \$30,000,000 last year, gets pleasant advertising and heightened interest at home.

And here's something to put in the history books: The homing flight of American Trust control resulted in the offering of the first convertible preferred bank stock within the memory of bank stock specialists.

Money and the Markets

If the stock market had listened carefully to some of the consequences predicted for corporations from the President's suggested tax on undivided profits, the entire stock list would undoubtedly have jumped clear out of its skin.

Evidently, on the day of the message, it did listen a little, but with just the right shade of skepticism, for prices cleared the old highs in a demure rather than a zestful leap.

It was just as well. At first blush the tax scheme sounded like slow corporate murder, with the final thrust of the knife reserved for the next bad business period (page 7). But the stock trade began to think it over and decided that even if it were as bad as it sounded it would result in smaller dividends until the end of the year at least, and that corporate profits were not going to be slung right and left now.

It May Be Modified

Also, it was suggested that before such a law got itself onto the record books it might be tempered with merciful exemptions of one kind or another. The result, therefore, was development of a waiting attitude. Stock people wanted to see if the cockeyed thing was really true, and decided that they had ample time to make buying and selling decisions before the squeeze began to pour money into stockholders' laps, if ever.

The bond market shivered a little at the prospect of holding on its lists the liens of corporations that might some day be drained of reserve financial power, but here, too, it was judged that there was time to have a look. Hence no severe accidents occurred, aside from the unrelated bruising of railroad bonds under the Interstate Commerce Commission's slap at rates.

The tax message fireworks effectively took the bloom off the happy shindig staged at the Treasury. In the latter camp the money fellows were patting themselves on the back over the huge success of the Treasury financing.

Heavy oversubscription greeted the largest cash sale of securities since the Victory loan of 1919, and the eager takers were not all timidly picking the notes. There were plenty of buyers for long-term bonds, and some onlookers judged that this was a demonstration of faith in government finance and in the honesty of the flood of hints from Washington lately to the effect that the house was to be put in order.

Such belief did not completely permeate financial strata. It was also suggested that banks have been piling up money for a long time waiting for this particular piece of financing and that the pressure of these waiting funds was enough to swing the deal without regard to the familiar buying-power that has been displayed right along in the high-grade bond markets. At any rate, the Treasury is over a hump.

A Heap of New Financing

That March new financing will exceed February's total by a wide margin is accepted as certain in financial circles. The main pieces on the docket to be released from examination by the Securities & Exchange Commission already total well above \$200,000,000 in bonds alone.

In addition there are nearly a dozen stock issues now being scanned by the commission. The present condition of the money markets suggests that they will all appear promptly on the market as soon as their SEC incarceration is ended.

In recent weeks the ratio of stock issues to the volume of bonds has grown rapidly. Particular attention is attracted to the new preferred stocks offered by companies whose capital positions favor this type. Of the preferred stocks appearing, many are convertible.

This trend merely emphasizes the continued fat and saucy condition of the high-grade bond markets. Investment funds are so liberally sprawled over the markets, seeking use, that there is bound to be a spill-over into the lesser securities.

Three-Ring Cotton Show

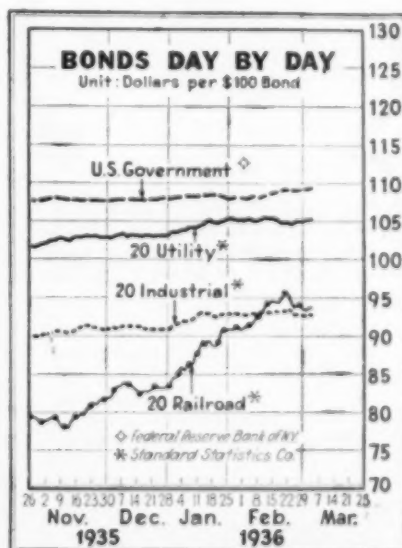
Cotton people have available a three-ring performance in Washington these days. In one ring the wrangle is still on over the market break of March 11, 1935. In another, Sen. Smith of South Carolina is beating the drum for his bill to liquidate government cotton.

But these sideshows are not half as interesting to the cotton trade as Oscar Johnston's producers' pool operations. The producers' pool is selling spot cotton, but it says it may quit at any moment without warning. The implication is that it will only sell when the market is high enough.

In short, the cotton trade is aware of a bearish factor, that sales will come out when the market is good, and of a bullish one, that they will cease when the market is weak. Speculators have a free choice in picking the turns but don't know what to do about it.

Chicago grain-market bulls are banking on the May wheat delivery to carry the banner of higher prices. May is the last old-crop wheat delivery, the open interest is large, and supplies in deliverable position are small. The situation favors a tight May.

Meanwhile the new crop months, July, and so on, are at the mercy of the weather. The trade this week read with interest a government prediction that we



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were in for colder and wetter winters. That would mean no more droughts for a while, and no more droughts means exportable surpluses of wheat.

Loading Up on Sugar

Sugar consumers this week got busy with their stocking up, which had been long delayed. Refiners announced that bargain prices were about to be terminated, put on a special sale, and took in a good bit of business.

Strong raw and futures prices were an incentive for buyers, particularly since stocks in consuming hands were very low, but up to this week's flurry the buying interest had been relatively disappointing.

Now the sugar market feels relieved. Refiners have about decided that the new taxes to be substituted for the processing taxes will be materially smaller than the old $\frac{1}{2}$ ¢ per lb., and hence tax fear has subsided. There has been an increasing belief that the beet sugar available won't be enough to fill the quota before the new crop by a big margin. On these grounds the trade is getting bullish.

Fight Over Reserve Officers

The Board of Governors of the Federal Reserve System this week found fault with three elections held by district banks of the system under the requirements of the Banking Act of 1935 calling for elections of presidents to succeed former district governors.

On grounds of age, the board refused to approve the elections of J. U. Calkins by the San Francisco reserve bank, G. J. Seay of the Richmond bank, and George W. Norris of the Philadelphia bank. All three are over 70 years old.

Rejection of the Norris election has stirred up some pointed comments in the Philadelphia district. Mr. Norris doesn't think he is at all too old to con-

tinue the job he has held for 16 years, and many of his friends agree with him.

The circumstances are particularly delicate since Mr. Norris has been a forthright critic of the Administration, and at Scranton, Pa., last June not only described the 1935 banking act as worse than useless, but expressly condemned a number of its features, including the very power that is now heaving him out of office, i.e., the power of the board to disapprove presidents elected by district banks.

Another touchy point is that presumably the man in line for the Philadelphia district presidency, if Mr. Norris goes out, is Luther Harr, an Administration sympathizer and a backer of the Eccles banking policies.

Still another point is the fact that when the mandatory retirement plan based on age was adopted two years ago, those holding positions at that time who were over 65 were exempted for five years. Mr. Norris was 69.

That Waiting Chair

President Roosevelt is trying to find another W. I. Myers for the Board of Governors of the Federal Reserve System. He does not want to take Gov. Myers away from the Farm Credit Administration, so he is looking for someone else with equal qualifications in farming and farm credit experience. The single seat left on the board is yearning for a representative of agriculture.

What the President would like to find is another E. H. Cunningham, who preceded Whalen McGee of Nebraska. Political pressure is getting progressively stronger as the search extends. The politicians, particularly in farm areas where inflation is liked, want an inflation man to represent the farmer's monetary views.

What Might Have Been

Company	1935	1934	1932	1931	1930	1929
A. T. & T.	P \$9.00 E 7.93	\$9.00 7.56	\$9.00 9.07	\$9.00 10.15	\$9.00 10.48	\$9.00 14.12
Allied Chemical	P 6.00 E *8.82	6.00 7.92	6.00 4.20	6.00 7.66	6.00 11.10	6.00 14.16
General Motors	P 2.25 E 4.34	1.50 2.31	1.25 def.	3.00 2.28	3.00 3.53	3.60 6.11
Gen. Ry. Signal.	P 1.00 E 2.06	1.00 def.	1.50 1.80	5.00 3.78	5.00 8.03	5.00 9.27
Int. Bus. Mach.	P 6.00 E *12.35	6.00 10.88	6.00 10.64	6.00 13.06	6.00 13.10	5.25 12.40
Int. Harvester	P 0.60 E *2.35	0.60 def.	1.50 def.	2.50 def.	2.50 5.17	2.50 7.99
National Lead	P 6.00 E 12.68	5.00 9.72	5.00 3.65	5.25 6.23	8.00 8.61	5.00 28.64
Pullman	P 2.62½ E def.	3.00 0.89	3.00 def.	3.75 0.69	4.00 4.97	4.00 5.46
Sears, Roebuck	P 1.75 E *4.88	none 3.63	1.25 def.	2.50 2.81	2.50 3.42	2.50 7.44
N. J. Standard.	P 1.25 E *2.35	1.25 2.04	2.00 0.01	2.00 0.39	2.00 1.88	1.8 5.35

P-Dividends paid. E-Earnings per share before income tax. *Estimate.

Business Week

TAX DIVIDENDS—Comparison of dividends paid on common stocks with income before taxes shows how President's proposal to force distribution of all income would have changed policies on common stock dividends in the past.

Editorially Speaking—

A FEW women who want to reduce have taken up the Japanese exercise of judo, a modified form of ju-jitsu. It breaks no bones and causes no pain. What Mr. Roosevelt needs is a financial form of judo, for use on the budget.

BACKLASH: Throughout the long fight in Congress for the bonus, it has carried the persuasive name of "adjusted compensation." The veterans have received many state favors, in addition to federal. New York State, for instance, gives the veterans tax exemption on real estate purchased with money derived from pensions, bonuses, and government insurance. Now the New York City assessors declare that the veterans' new bonds are adjusted compensation, not a bonus, and so real estate purchased with their proceeds will be taxable.

THE ghastliest newspaper picture we have seen lately is one that shows how Mussolini is training his army of the future. Some hundreds of small boys are marching with gas-masks on, looking like death's-heads on living children's bodies.

IF it is true, as a speaker asserted at the recent meeting of the American Management Association, that between 20% and 30% of all employees and executives are "mildly crazy," then something should be done about it right away. Such distressingly low percentages must not be tolerated. In a world where several governments are driving ahead towards the sublime insanity of a war so vast that it may destroy all civilization, obviously all good citizens ought to get in step and go completely daft.

A JUDGE in St. Louis having decided that women can't be denied the right to drink at a bar, some of the saloon-keepers are moaning. Their main complaint appears to be that women make a drink last too long. But it isn't too long for their own good. Most women know enough not to drink more than they can carry. They don't want to wake up under the wrong auspices.

THE other day Stalin was reported to have been shot. It wasn't true, but on the same day Pavlov, the great Russian physiologist, died at 86, and he was so far above Stalin in brains and permanent world influence that there is no comparison. Russia would have gone along pretty much on its present course during the past few years even if somebody else than Stalin had been the head man, but what Pavlov did was an individual performance, affecting education, psychology, and medicine for generations to come.

The false rumor about Stalin got

front-page display in the newspapers. Pavlov's death was reported inside.

THE Puzzlers' League wants to add several words to the English language, including, for example, "unspry," which means "not spry" and has no earthly value except to make a cross-word puzzle harder to solve. Poor old English language, mauled and tortured to suit the convenience of people whose sole interest is in loony words!

TABLECLOTH writing causes a lot of wear and tear, especially if done with a fountain pen, and so diners in the four restaurants of the Lexington Hotel, New York, now receive pads to make notes on. By asking the headwaiter they can also get pencils, pens, crayons, or charcoal.

The Lexington says it has studied the markings on tablecloths and has found that 68½% of them are statistics; 13% are plans of houses, boats, planes, baby carriages, and other buildable things; 7% are verse, song titles, and so on; 6½% are girls' faces and other anatomical studies; 3% are bawdy humor; and 3% are unclassified blobs.

At least that's what the hotel's press agent says. For our part, we don't believe anybody ever classified the markings on tablecloths, but anyhow the Lexington has a good press agent.

"NOTHING doing," said the Bureau of Internal Revenue to the pleading railroads. "The 3½% railroad retirement tax must be collected on all wages paid on Mar. 1 or afterwards, even if earned during February. That's the law." So several railroads advanced the payday to Feb. 29 and avoided the tax.

A GERMAN friend, who is now in Germany, has sent us a note on Hitler's attempt to raise more cannon-fodder by subsidizing marriages.

"For some time," he writes, "the Nazi press rejoiced that subsidized marriages showed a greater fecundity than the other kind. Thus in Düsseldorf, 3,200 subsidized marriages, in which the couples received housekeeping loans, produced 1,179 Nazi babies within the first year. That was 37% of the total. At the same time 8,000 non-subsidized marriages produced only 1,520 babies—a rate of 19%.

"A closer scrutiny divulged an interesting fact. Out of the 1,179 subsidized babies, 414 were born in the first three months after the marriage. Another 360 were born in the following three months. Thus 774 babies, or 65% of the total, were born within the first six months after marriage. In other words, the subsidy was applied for when the baby was already under way."



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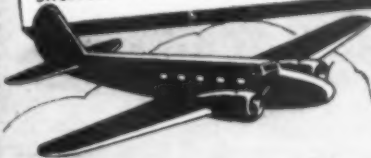
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MARCH 7, 1936

Hurting Small Stockholders

There is a challenge to business and to statesmanship in almost every aspect of the President's new tax program. Various phases of the plan may be discussed here later, but for the moment we must contemplate only the startling recommendation that corporations be relieved from all federal taxes on income, profits, and capital stock, and that an attempt be made to force them to distribute all their earnings annually, through a harsh penalty tax on undivided profits.

Part of the actual results of such a plan would be good, as is the theory propounded by the President in justification of it, but the President fails to theorize on many of the dangerous results that would inevitably ensue.

No Administration has ever gone farther to bring about a planned economy than the present one, and no proposal has yet been made by any Administration that would run so directly contrary to the announced ideals of economy-planners as this. While there are endless ramifications, the central idea of planned economy is that business and government be restrained in times of expansion and their surpluses hoarded against times of depression in order that the curves of cyclical movements may be levelled, that business activity may be stabilized and employment be spread as evenly as possible over the years. All such effort is penalized if not destroyed by the proposed plan.

If penalties are high enough to make the law effective, most corporations will be forced to distribute their income at the end of each year. In times of depression, corporations must cease dividends instead of paying them out of accumulated surpluses as heretofore. Millions of people who have lived wholly or in part on dividend income will lose their spending power and perhaps become dependents. Under such a law all the valiant work done by many corporations during the depression by drawing on surpluses to modernize plant, improve product, and help prime the pump would have been impossible.

Paid-in surpluses would be exempt from taxation. It seems to be the theory of the plan that corporations can borrow money to pay dividends and to keep the wheels of industry turning during times of depression. But how can money be borrowed in such times? And if it were available

who would have the hardihood to take such a gamble?

In every phase of its workings such a law would penalize the little stockholders and the corporations whose stockholders are predominantly little people. Corporate surpluses could only be accumulated and held economically by the creation of capital surplus. This means that corporations would be largely financed by the issuance of subscription rights, which wealthy stockholders could exercise without trouble and which would be of little or no value to the small stockholders.

Mr. Roosevelt made no reference in his tax message to banks and insurance companies. Are they to be forced to distribute all their earnings from year to year and have no surplus to protect the interest of depositors and policyholders unless they reorganize their capital structure and accumulate paid-in surplus to the penalization of small stockholders? Industrial corporations can spend capital funds for the uses customarily made of surplus, but bank examiners are required by law to close a bank which spends a dollar of its capital.

Corporate income-taxes are an illogical part of any tax structure, and other forms of taxation should be substituted for it. Tax-dodging by taxpayers, big or little, is indefensible and should be curbed by law; but it is possible to pay too high a price for such reforms.

ICC as a Board Of Super-directors

It may be that the five members of the Interstate Commerce Commission who voted to compel a nation-wide reduction in passenger fares are right in predicting that this will increase railroad revenues in the East, as experimental reductions have done elsewhere. Nevertheless the commission should not have issued its order.

In doing so it was not performing its only proper function—the protection of the public. It was playing the wise and kindly guardian of the railroads, for the railroads' own benefit.

The rates demanded by any transportation agency are no proper concern of the commission wherever there is plenty of competition, on the highways or elsewhere, to keep the public from being gouged. As to forcing rates down in order to make more money for the railroads, by what authority does the commission set itself up as a board of super-directors?

Japanese Fascism In a War on Business

Almost as amazing as anything else about the amazing Fascist conspiracy in Japan is the condoning speech that was delivered over the radio by the Japanese ambassador to the United States, Hiroshi Saito. He declared that although the conspirators committed murder, "they were not rebellious soldiers."

They murdered several members of the Cabinet and nearly murdered the premier, but they were not rebels. Not until they disobeyed the emperor did they become "a group of rebels officially."

This is a complete acceptance of the Fascist contention that the army is independent of the cabinet and responsible to the emperor only; which means that the army rules the emperor and the empire. What the army wants is not merely entire control of itself but also control of the taxing machinery. That is why Takahashi, the 82-year-old finance minister, was so cordially hated and efficiently murdered.

Ambassador Saito speaks of the Fascist contention "that the cabinet and the Diet have been greatly influenced by big business." All business wants is to keep the country from cracking up under the strain of incredible military expenditures.

Apparently business has suffered a partial defeat; the Fascists, at the trivial expense of the lives of a few underlings, have won some of their demands. The army will speed up its preparations for war, and Japan is headed for financial and perhaps military disaster.

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